

# **OCCUPATION CURRENCY TRANSACTIONS**

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## **HEARINGS**

**BEFORE THE**

### **COMMITTEES ON APPROPRIATIONS ARMED SERVICES AND BANKING AND CURRENCY UNITED STATES SENATE**

**EIGHTIETH CONGRESS**

**FIRST SESSION**

**ON**

### **OCCUPATION CURRENCY TRANSACTIONS**

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# OCCUPATION CURRENCY TRANSACTIONS

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TUESDAY, JUNE 17, 1947

UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS,  
COMMITTEE ON ARMED SERVICES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committees met at 2 p. m., pursuant to call, in the hearing room of the Committee on the District of Columbia, Senator Styles Bridges, chairman of the Senate Committee on Appropriations, presiding.

Present:

## COMMITTEE ON APPROPRIATIONS

Chairman Bridges and Senators Brooks, Ferguson, Cordon, Saltonstall, Young, Knowland, Dworshak, McKellar, Tydings, McCarran, O'Mahoney, and Green.

## COMMITTEE ON ARMED SERVICES

Senators Bridges, Saltonstall, Morse, Tydings, and Maybank.

## COMMITTEE ON BANKING AND CURRENCY

Senators Flanders, Bricker, McCarthy, and Maybank.

## PURPOSE OF THE HEARINGS

Chairman BRIDGES. The hearing will come to order.

I would like to make a very brief opening statement as to the purpose of this hearing to clarify the subject. The hearing is being conducted jointly by three Senate committees, the Committee on Appropriations, the Committee on Armed Services, and the Committee on Banking and Currency, as a means of inquiring into the circumstances surrounding our Federal Government's handling of occupation currency, particularly as applied to the occupied areas of Germany and Austria.

During the last several months considerable concern has been aroused throughout this country over reported losses that have been incurred by the War Department resulting from acceptance by Army fiscal officers of "unbacked" occupation currency issued by the Russians. A flourishing black market in PX store goods has provided the source for profits through the privilege of converting occupation marks into good American dollars.

Account of the transactions that have occurred indicate that several hundred million dollars in losses may have resulted.

At a time when the Appropriations Committee is searching for every possible dollar of expenditure savings, it becomes a matter of more than academic interest whether or not the War Department is short of funds in its 1947 appropriations, or appropriations of former years, that otherwise would be available for reappropriation in the fiscal year 1948. If this is a case of huge losses, the Senate Armed Forces Committee could hardly ignore the poor administration that would allow such a situation to come to pass. Also we want to know by what legal authority such occupation currency was originally issued.

Reports that have caused the Senate committees grave concern are:

First, that there has been no clear-cut, understandable, or uniform policy with respect to the methods employed by the Federal Government in the field of occupation currency.

Second, that the United States printed such currency without regard to amount, without serial number so that it could be subsequently checked, and without adequate controls for its issuance. The fact has been reported that shipments of such currency to Germany were by the ton, and that no count was made as to the number or denomination before shipment to the occupied areas.

Third, that the United States turned over the engraving plates to Russia, who forthwith began flooding the countries with exactly the same occupation marks used by the American military government.

Fourth, that there was no agreement with the Russians limiting the amount of German marks that were to be issued or in circulation at any one time.

Fifth, that the War Department has failed to correct the original errors of currency operation in occupied countries; that Generals Smith, Cobbs, and Lee refused to acknowledge that a problem did exist; that it became necessary for General Marshall to order General Eisenhower to take drastic actions to stop these money scandals.

And finally, that these transactions are clouded in sufficient doubt to make wholly desirable a clarification of our fiscal policies with respect to such currencies. The true facts of the situation must be faced, and this hearing is designed for that purpose. The American taxpayers, who yesterday were refused a tax reduction, will no doubt be keenly interested in whether a large sum of their tax dollars collected for this expenditure were in reality used to furnish a free ride to the Russians via printing press money of our own devising.

Now, in general, that outlines the reports that have come to one committee or the other involved in this hearing. What we want to know is the truth, and the three committees have joined here together for a hearing.

The first witness, I understand, is Assistant Secretary Howard C. Petersen.

Mr. Petersen, I think in all of these cases, because of the subject matter concerned, we will ask the witnesses to be sworn.

**TESTIMONY OF HON. HOWARD C. PETERSEN, ASSISTANT  
SECRETARY OF WAR, WAR DEPARTMENT**

(The witness was duly sworn by Chairman Bridges.)

Mr. PETERSEN. Mr. Chairman and gentlemen; I will discuss in broad outline the foreign currency problems resulting from our mil-

itary operations in World War II. My statement will serve, I trust, to introduce the subject to this committee and serve as a background for the testimony of witnesses who will follow me. I will confine myself principally to matters within the purview of the War Department. Both the State and Treasury Departments had a policy-making role in this field. The War Department, however, like the Navy Department, and its field forces had the operating responsibility in foreign exchange matters. Representatives of the State and Treasury Departments are here today.

#### WAR DEPARTMENT ACCOUNTING OF OCCUPATION CURRENCY TRANSACTIONS

The War Department is prepared to present in as much detail as the committee deems necessary, a full accounting of the discharge of its responsibilities in dealings in foreign currencies. Much of this testimony will be somewhat technical. It will be presented by expert witnesses who will follow me. I did not know anything about this subject, nor did I have any responsibility with respect to it, prior to December 1945 when I took my present office.

This is the problem. The armed forces, through the operations of their finance offices overseas, necessarily became engaged in large-scale foreign-exchange operations which involved the handling of over \$11,000,000,000. In making these transactions there accumulated substantial holdings of foreign currencies in excess of dollars appropriated by Congress which could properly be used for the conversion into dollars of these holdings. All foreign currency, used by the armed forces for pay of troops or for local procurement, except in occupied areas, or other purposes authorized by Congress was dollar backed. However, because currency controls which were feasible under combat and redeployment conditions proved inadequate and because of other factors which I shall relate, foreign currencies in a total amount of \$380,000,000 were redeemed for dollars by armed force finance offices in excess of the dollars appropriated by Congress.

#### METHODS OF LIQUIDATING HOLDINGS

Through methods of liquidation which have been decided upon and are now in operation, this \$380,000,000 of excess holdings of foreign currency is being reduced to \$160,000,000. Plans for the liquidation of this remaining amount have been approved by the executive departments concerned and it is expected that this liquidation will be consummated over the next 18 months. The War Department does not propose to ask Congress for an appropriation to effect this reduction.

When the conversion of foreign currencies was stopped, the armed forces held \$380,000,000 worth. Of this, \$250,000,000 were in marks, \$75,000,000 were in yen, and the remainder in various other currencies. Of the \$160,000,000 remaining to be liquidated, \$100,000,000 are in marks and \$60,000,000 are in yen.

The conversion of local currency into dollars ceased when the military payment certificate plan went into effect in Japan and Korea in July of 1946 and in Europe in September of 1946. Since those dates there have been no further receipts of foreign currencies.

## SOLUTION OF CURRENCY PROBLEM

Currency problems arising during and after World War II were numerous and exceedingly difficult of solution. The first, and overriding, rule in their solution was, of course, that they must take second place to considerations having a direct bearing on the vigorous prosecution of military operations. At the same time, the State, Treasury, Navy, and War Departments were at all times aware of the importance of foreign currency transactions involving the staggering sum of \$11,000,000,000.

The first decision which had to be made was whether the United States would use dollars or foreign currencies in its military operations abroad. Having decided to use foreign currencies, for the reasons which I will later relate, it was necessary to develop methods for their acquisition. Then, it was necessary to insure that the American soldier would suffer no loss because of receiving his pay in foreign currencies. And in all cases there were complex preparations to be made with regard to currencies before our invasions. These preparations had to be made with much secrecy and in such a way as to further the prospect of success of military operations.

The decision to use foreign currencies: The decision to use local currencies in overseas areas was arrived at early in the war after an intensive study of the problem by all United States departments concerned, fullest exploration of the problems with our allies, and after a thorough review of all of the implications resulting in a decision to use either American dollars or the local currencies. That decision was reported to the Congress in a report on House Resolution 150, Seventy-ninth Congress, first session, submitted to the chairman of the House Committee on Military Affairs dated April 28, 1945. That report covered the method of payment of troops in foreign currencies and the provision made for the reconversion into dollars.

Possible effect of use of dollars on military operations: Use of dollar currency would have made it more difficult to maintain order behind our lines. The use of dollar currency, causing lack of confidence in the local currency, might well have caused a break-down in the economic life and the general political stability of the areas through which supplies for our armies had to pass. The maintenance of a uniform rate of exchange would obviously become difficult. Worst of all, it might well have led to a situation in which suppliers in the local economy would refuse to deliver goods against local currency, thus bringing about a complete break-down in the supply of food and other essentials to the populations of these areas. We did not wish to bankrupt or destroy the currency of friendly countries through which we operated by flooding the areas with dollars.

These considerations made undesirable the use of dollar currency for procurement or for the pay of troops in liberated or occupied areas.

## RECOGNITION OF SOVEREIGN RIGHT OVER CURRENCY

The recognition of sovereignty: Allied governments consistently insisted upon recognition of their sovereign right to determine not only rates of exchange but what was to be legal tender within their boundaries. For example, before the invasion of France, certain sovereign rights of the provisional French Government in exile were

recognized. The United States Government recognized the right of the local government of the liberated area to establish the rate of exchange; and the French Provisional Government did exercise that right. Concurrently with setting the rate of exchange the French decided what was legal tender. In France it was determined that the legal tender should be the metropolitan franc and also the "supplemental" franc which the Allied forces brought in on D-day. The French Government assumed responsibility even for the "supplemental" francs brought in on D-day.

#### KEEPING DOLLARS FROM ENEMY

Keeping dollars from the enemy: Another major factor in the determination to use foreign currencies rather than dollars was to keep dollars from the enemy. In a military operation as large as the invasion of Europe there was always the risk that large numbers of men and amounts of money might fall into the hands of the enemy. The Allied governments naturally did not welcome any action which would have assisted traitors to the Allied cause. As it filtered through unauthorized channels in liberated areas, dollar currency spent by the American armed forces might well have become a means by which traitors and fifth columnists could finance their operations or by which collaborationists could hide their assets and thus nullify the efforts of the Allies to recapture their illegal profits.

#### PROTECTION OF ARMED FORCES

Considerations stemming from desire to protect members of armed forces: The pay and allowances of the personnel of the armed forces of the United States are fixed by acts of Congress. The basic policies underlying all War and Navy Department actions relating to the financial problems of the troops overseas are simply and clearly defined.

First, every soldier, wherever stationed, must receive the full amount to which he is entitled by existing statutes. Second, no soldier shall suffer financially because of assignment to duty in one overseas area as against another.

While serving abroad, the current and future financial interests of the American soldier were well safeguarded. All calculations affecting the total pay and allowances to which the soldier was entitled were made in United States dollars. The soldier was entirely free to determine for himself those portions of his earnings which he wished to allot, save, or spend. Whenever he desired, the soldier could, at any Army installation, convert such portion of his pay drawn in a foreign currency which proved excess to his needs, back into dollars at the same rate at which the pay was drawn.

#### CONVERSION OF CURRENCY BY TROOPS

Senator KNOWLAND. Let me ask a question there. In addition to being able to convert his pay back into American dollars, up until the time you put in restrictions he could also convert other marks or francs which he might have into dollars, is that correct?

Mr. PETERSEN. That is clear, as will appear later in my statement.

This contributed in large measure to his peace of mind and effectiveness as a combat soldier. By far the most important benefit, however, from the soldier's point of view, derived from the War Department policy of foreign currency reconversion to dollars at a protected rate, was the facility of transmitting funds to any person, bank, or agency in the United States on a moment's notice. Numerous family crises were averted or solved by this administration provision.

In war the paramount factor is the morale of troops. An important element in that morale is assuring troops equitable purchasing power for their money. This was recognized by the Congress itself in consideration of Public Law 554, approved December 23, 1944.

#### AUTHORITY FOR MILITARY CURRENCY

I might say, Mr. Chairman, that that public law, although it was approved on December 23, 1944, was made retroactive to December 7, 1941, and it furnishes the legal authority for engaging in foreign exchange transactions by the armed forces.

Chairman BRIDGES. What was that law? What authority did it give you specifically?

Mr. PETERSEN. Well, it provided, and it is a short law, that, subject to regulations promulgated pursuant to this act, the Secretary of the Treasury was the person authorized by the act to promulgate regulations, that disbursing officers of the various categories mentioned, for the military and naval categories, could cash and negotiate checks, drafts, bills of exchange and other instruments payable in the United States and foreign currencies—

and to conduct exchange transactions involving United States and foreign currency and coins, checks, drafts, bills of exchange, and other instruments.

It also provides that any official funds which are held by such disbursing officers and which are available for expenditure may with the approval of the head of the agency having jurisdiction have such funds utilized for this purpose.

Then there is a second section, the main part of which is that there is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated such amounts as may be necessary to adjust any deficiencies in the accounts of disbursing officers of the United States which may result from any of the foregoing operations.

The third section provides that the Secretary of the Treasury is to prescribe the regulations governing the conduct of disbursing officers in these matters and the fourth section makes the law effective from and after December 7, 1941, to remain in force during the continuance of the present war and until 6 months after the termination of the war or such earlier time as Congress by concurrent resolution may determine.

Chairman BRIDGES. You interpret that that gave you the power to issue currency as well as the other rights and authorities?

Mr. PETERSEN. That is my belief; yes, sir.

Chairman BRIDGES. Does it mention that there in the law?

Mr. PETERSEN. It does not mention the power of issuance; no.

Chairman BRIDGES. So your only basis of authority is this law which does not specifically mention the issuance of currency. Will you cite the number of that again?

Mr. PETERSEN. The law which I read was Public Law 554, of the Seventy-eighth Congress.

#### AUTHORITY FOR ISSUANCE OF CURRENCY

I am advised by General Richards that the currencies are issued by the Allied commanders, under authority substantially of the decision of the Supreme Court in the case of *Dully v. The United States*, 182 U. S., 222, 1901. I can read the quotation from that, if you like.

The right of one belligerent to occupy and govern the territory of the enemy while in its military possession is one of the incidents of war and flows directly from the right to conquer. We therefore do not look to the constitution or political institutions of the conqueror for authority to establish a government for the territory of the enemy during its military occupation, nor for the rules by which the powers of such government are regulated and limited. Such authority and such rules are derived directly from the laws of war as established by the usage of the world and confirmed by the writings of publicists and decisions of courts, in fine from the laws of nations.

It goes on in that vein.

#### HAGUE AND GENEVA CONVENTIONS

May I add one thing, Senator, and that is that the various conventions on war, your Hague and your Geneva Conventions, clearly recognize the right of the occupying authority. As a matter of fact, they establish the responsibility on the occupying authority to provide a circulating medium. Now, those conventions are all subject to ratification by Congress and as far as a matter of interpretation of the force and effect of statutes in the United States.

Chairman BRIDGES. What you have relied upon is something beyond the authority of Congress or law in this country. You are going on what you call the general powers of a belligerent in the world, that stem actually from no law, but simply from belligerent powers.

Mr. PETERSEN. That is the reasoning of the Supreme Court decision, but the provisions of the Hague conventions are quite explicit on the duties and rights of an occupying power, and those were all ratified by the Congress and have the force and effect of statute, as does any treaty obligation.

Chairman BRIDGES. Let us get down to the fact that in order to print and issue this money, you had to have engraving plates. Where do you get the specific right to make engraving plates? Do you have any authority for that?

Mr. PETERSEN. They are all made by the Bureau of Engraving and Printing.

Chairman BRIDGES. Do you have any right to do that?

#### APPROPRIATIONS FOR CURRENCY PURPOSES

Mr. PETERSEN. We received appropriations for that very purpose, for the expenditures for that purpose.

Chairman BRIDGES. For foreign currency?

Mr. PETERSEN. Yes, sir.

Chairman BRIDGES. That is for plates?

Mr. PETERSEN. We are printing money today for one of these areas.

Chairman BRIDGES. That was for the printing of our own occupation currency; was it not?

Mr. PETERSEN. That is Allied occupation currency; yes, sir. These moneys, mind you, Senator, are not in any sense United States moneys, they are Allied moneys.

Chairman BRIDGES. They are chargeable against us, are they not?

Mr. PETERSEN. The redemption that has been done thus far has had that effect.

Chairman BRIDGES. So that we have a definite obligation there, do we not, Mr. Secretary?

Mr. PETERSEN. We have an obligation to redeem them.

Chairman BRIDGES. But once they are redeemed, they are certainly a charge against this country.

Mr. PETERSEN. That is correct, to the extent that your holdings thereof are not liquidated and used for purposes for which you would have otherwise had to appropriate money, that is dollars.

#### AUTHORITY TO ISSUE OCCUPATION CURRENCY

Chairman BRIDGES. I want to get this straight regarding the authority to issue this money. I did not see anything in the law that you quoted which gives you the right to issue money.

Mr. PETERSEN. On the issuance of money, you are correct. This only authorizes the dealing in foreign exchange, the conversion from dollars into foreign currency and the cashing of checks and drafts and other bills of exchange in foreign currency.

Chairman BRIDGES. Then you go back to a case here which you quote from, and say that the right is derived from the general right of a conquering nation to use its own judgment, or own discretion, and its own authority in the printing of occupation currency.

Mr. PETERSEN. That is correct. I am sorry that I do not have here the exact provisions of the Hague conventions, but they are quite specific, and with your leave I would like to submit it at this place in my testimony.

Chairman BRIDGES. Your reason for saying that we are bound by them is the fact that we ratified those conventions?

Mr. PETERSEN. I think it is a well-known canon of law that a treaty has the force and effect of statute.

Chairman BRIDGES. And these provisions for the issuance of this currency are in the treaty?

Mr. PETERSEN. That is right.

Senator McKELLAR. Do you have a copy of it there?

Mr. PETERSEN. I do not have a copy of it here.

Senator KNOWLAND. I would like to clear up this point, Mr. Chairman. As I understand there are about \$380,000,000 more currency that has been redeemed than there were appropriations for?

Mr. PETERSEN. That is correct.

#### REDUCTION OF CURRENCY LOSSES

Senator KNOWLAND. And you expect eventually that that amount will be cut down to \$160,000,000; is that right?

Mr. PETERSEN. Yes; by steps already determined upon and now in operation, that amount will be reduced to \$160,000,000, and I stated

further than that it is expected that the liquidation of the remaining amount of \$160,000,000 will be effected by the end of 1948.

Senator KNOWLAND. Now, what I would like to ask is, What is the amount outstanding as of, let us say, the end of last month?

Mr. PETERSON. That is \$340,000,000.

Senator KNOWLAND. Now, as I understand it, that \$340,000,000 which is presently outstanding, would be divided as follows, the same as the prior amount: \$380,000,000 total, about \$250,000,000 was in marks, and about \$75,000,000 in yen, and I presume the proportions would be approximately the same, since it has been slightly reduced since that time?

Mr. PETERSON. That is correct.

Senator KNOWLAND. Now, I would like to know how much was redeemed in francs and Italian lira which would be over and above that amount.

#### FRENCH AND ITALIAN CURRENCY LOSSES

Mr. PETERSON. We did not have any long position in either francs or Italian lira.

Senator KNOWLAND. There was no redemption to the French treasury on French francs or Italian lira on the troop account?

Mr. PETERSON. No; except for that troop payment which we made to France.

Senator KNOWLAND. What was the net troop payment, and could you explain that?

Mr. PETERSON. It was \$29,000,000.

Senator KNOWLAND. How did that come about?

Mr. PETERSON. Well, in France, France as you know is a reciprocal lend-lease country, and thus they furnished us with certain supplies which the French Government financed. When we went into France, as I explained, the French Government became responsible not only for the use of the supplemental franc which we brought with us, because of the scarcity of currency, but we did not pay the French in advance for the troop francs which we used, or which the Army used to pay its troops, or which the Army used for procurement.

The reason for that was that the agreement was to pay the amount remaining, the amount which had actually been spent in France by our troops. In other words, at the time the troops left France, if they cashed in their francs, as many of them did, then those francs were turned over to the French and offset an amount we owed them.

Senator KNOWLAND. Then we paid the French some \$29,000,000 as an offset?

Mr. PETERSEN. Yes, sir.

Senator KNOWLAND. That was not applied against their lend-lease account?

Mr. PETERSEN. That was an offset.

Senator KNOWLAND. They got \$29,000,000 in dollars with no reference to their lend-lease account; is that correct?

Mr. PETERSEN. That negotiation was made by the State Department, and I think you had better ask the State Department about that.

Senator KNOWLAND. We will ask the State Department.

Mr. PETERSEN. At the time that the lend-lease accounts were settled with France, that is right. The net payment was \$29,000,000.

Senator KNOWLAND. Is there not a similar troop-pay account in Italy?

Mr. PETERSEN. There was.

Senator KNOWLAND. How much did that amount to?

Mr. PETERSEN. The net troop-pay account in Italy amounted to about \$170,000,000, or \$155,000,000, I believe.

Senator KNOWLAND. That grew out of the same type of a situation?

Mr. PETERSEN. That is true.

Senator KNOWLAND. So that \$155,000,000 was turned over to the Italian Government?

Mr. PETERSEN. On the troop-pay account, that is right. Those were not decisions made by the War Department.

Senator KNOWLAND. I merely wanted to get the facts.

#### CURRENCY IS PAPER MONEY

Senator TYDINGS. I did not want to hold up the witness answering questions, except that a layman might well not understand these things, and I would like to know what he means by "currency." Is that paper money or bullion?

Mr. PETERSEN. It is principally paper money.

Senator TYDINGS. How much was behind this paper money, in the country where it was seized or used?

Mr. PETERSEN. In some countries it was nothing.

Senator TYDINGS. For example, how much was behind it in gold or other basis of currency in Germany?

Mr. PETERSEN. There was nothing behind the currency in Germany.

Senator TYDINGS. Did you seize the gold?

Mr. PETERSEN. The gold was seized.

Senator TYDINGS. If you seized that, you do not relate that to the currency at all?

Mr. PETERSEN. No; but it is related by the people who use the currency.

#### CURRENCY, GOLD AND OTHER ASSETS SEIZED BY UNITED STATES

Senator TYDINGS. Perhaps you can answer it this way: How much was the value, the actual world value, of the gold and silver and other bases of currency seized in Germany, upon which, prior to seizure, much of this Germany currency was predicated? That is what I want.

Mr. PETERSEN. The amount seized by the British and United States Governments was in the neighborhood of \$300,000,000. How much the Russians got, we do not know.

Senator TYDINGS. How much of the \$300,000,000 was seized by our Government or credited our Government, or came to our Government?

Mr. PETERSEN. None of it has come to our Government.

Senator TYDINGS. Who has it now?

Mr. PETERSEN. It is in the reparations pot.

Senator TYDINGS. So that we have a share in \$300,000,000 that is seized Germany currency or its equivalent?

Mr. PETERSEN. That is correct.

Senator TYDINGS. And the \$300,000,000 is the present-day value of that seized currency?

Mr. PETERSEN. That is in liquid assets—nonmonetary and monetary gold and silver.

Senator TYDINGS. In the case of Japan, how much was the actual world value of the gold or silver or other bases for currency at the time it was seized?

Mr. PETERSEN. The amounts of liquid assets seized by us from Japan aggregated about \$350,000,000. That \$350,000,000 was in the possession of the Army, and that has not been made available for reparations generally.

Senator TYDINGS. So that you have got \$350,000,000 in gold or silver in Japan in our possession, and you have got a share in \$300,000,000 in gold or silver or its equivalent in Germany, I would assume of which a large part belonged to the Government of the United States, although it is in the common reparations pot. How much more seized currency other than in Germany and Japan have you?

Mr. PETERSEN. I think that you had better address those remarks to the State Department.

Senator TYDINGS. Do you have any? My reason in asking these questions as to how much you got back for what you issued is so that when you do have to redeem it, to find out whether you can redeem it entirely in the seized assets of the enemy or other countries occupied. Will somebody put that in the record before the hearings are over?

Mr. PETERSEN. We will.

#### LIQUID ASSETS FOUND IN GERMANY

(The information requested is as follows:)

1. All monetary gold found in Germany is subject to restitution under the gold pot as indicated in part III, Restitution of Monetary Gold, of the Paris Conference on Reparations, December 21, 1945:

"A. All the monetary gold found in Germany by the Allied forces and that referred to in paragraph G below (including gold coins, except those of numismatic or historical value, which shall be restored directly if identifiable) shall be pooled for distribution as restitution among the countries participating in the pool in proportion to their respective losses of gold through looting or by wrongful removal to Germany."

2. All nonmonetary gold items which have been looted and for which there are no claimants are to be turned over to the Inter-Governmental Committee on Refugees (IGCR) for the rehabilitation and resettlement of nonrepatriable victims of German action. This is in accord with Article VIII, Allocation of a Reparation Share to Nonrepatriable Victims of German Action.

"In recognition of the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any government receiving reparation from Germany, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia, and Yugoslavia, in consultation with the Inter-Governmental Committee on Refugees, shall as soon as possible work out in common agreement a plan on the following general lines:

"A. A share of reparation consisting of all the nonmonetary gold found by the Allied armed Forces in Germany and in addition a sum not exceeding \$25,000,000 shall be allocated for the rehabilitation and resettlement of nonrepatriable victims of German action."

3. All other precious metals and jewels not disposed of above are subject to restitution under the Allied Control Council agreements for restitution to United Nations as well as the United States unilateral policy to retribute to ex enemy countries.

4. All remaining precious metals and jewels, under Law 53, Foreign Exchange Control, are in possession of Military Government, Germany, or are subject to be turned in at any time to the military government authorities in Germany.

## LIQUID ASSETS IN JAPAN

A report of liquid assets, consisting of gold, silver, and precious stones and metals, in custody of SCAP's Civil Property Custodian, showed a total estimated value of \$282,649,718 as of January 30, 1947. After deducting \$111,382,040 for definite claims by countries on the basis of restitution of looted and identifiable, and \$34,253,535 for a reserve against future claims that may be filed, there was an estimated balance available for general reparations settlements in the amount of \$137,014,138. It is the position of the United States that these funds shall be available first to pay occupation costs.

Senator FLANDERS. I would like to ask an elementary question. The witness has been saying that these balances are being reduced and by the end of 1948 they will be eliminated. What is the process by which you are doing that?

## PROCEDURE FOR LIQUIDATING CURRENCY LOSSES

Mr. PETERSEN. Generally speaking it is through the use of these currencies for normal expenditures in these areas by personnel or by authorized Government agencies. I can give an example of one of the methods of liquidation, and that is the prisoner-of-war arrangement. As you know, there were very substantial numbers of German prisoners of war in this country, and under the Geneva Convention governing prisoners of war they were entitled, if they worked, to certain pay. The pay rates were, I think, 90 cents a day, if they were used by a farmer or a manufacturer, and he paid a good deal more, and that money was paid into the Treasury. These men, these prisoners of war, were not paid while here, and when repatriated they were entitled to certain pay. The aggregate of the amounts to which the prisoners of war were entitled was \$150,000,000. All of that money, the \$150,000,000, was in the United States Treasury, either by appropriations for the payment of the prisoners of war, or by contributions made by industry or farmers for their hire. They were paid out of the holdings—these excess holdings of marks in these accounts—and then the dollars were put into the accounts.

That is the most substantial item of liquidation. The reason I cannot say that that figure is now \$160,000,000, Senator Knowland, is because that is a long process which is still going on.

## GERMAN ASSETS HELD BY UNITED STATES

Senator KNOWLAND. Might I ask a question along that line? Along the line of the questions by the Senator from Maryland, if this gold bullion and silver and other metals that may have been back of the German marks, that was presumably to cover the solid backing of the reichsmarks as distinguished from the Allied military mark; is that not so? And if you took all of that gold and silver and applied it in order to settle this account, as far as we are concerned, it would leave the normal domestic currency without any backing; is that not correct?

Mr. PETERSEN. That is correct. I mean Germany has no monetary gold or silver, nor does Germany have any foreign currencies.

Senator TYDINGS. I think the record ought to show that whether the seized money was used to back the allied country or what it was used for, the reichsmark that was in existence before we went in there had no backing behind it anyhow, because we took the gold. Whether we used it for this new currency or brought it back and

put it in our own Treasury, it leaves the German reichsmark valueless, so that there would be no point to that, I do believe. The reichsmark would be of no value anyhow if we took the gold out of the country.

Senator KNOWLAND. That is right; but assuming that they were going to put them on a reasonably firm basis as far as their currency was concerned, it would probably be necessary for the Allied Powers to arrange some backing for the domestic currency within the occupied countries. Otherwise you would leave them with a paper currency with no backing whatsoever.

Senator TYDINGS. In every defeated country, the record ought to show its currency is practically worthless at the time of defeat.

Senator KNOWLAND. And they have to reestablish it.

Senator TYDINGS. I want to know whether they used this gold for allied currency or did not use it for allied currency. The fact that we took it out of Germany would leave the reichsmark with little or nothing to support it.

#### RESPONSIBILITY OF THE AMERICAN TAXPAYER

Senator KNOWLAND. That is correct, and if we take it out, then the American taxpayers will presumably have to make some kind of a contribution to support whatever currency is finally established.

Senator TYDINGS. If we determine that we want to do it, of course. But the American taxpayer will only do it if his Representatives in Congress agree to do it. The Army cannot do that.

Senator BROOKS. Would it not be true, if you reserve the \$300,000,000 in gold and not dissipate it, to pick up these excess marks, that that money would be available that was originally in Germany to sustain their currency without a contribution from the taxpayers?

Senator TYDINGS. I do not think that that would be true, because if you did not use this money—whether you used the money or not—you would have to issue Allied money in Germany. Therefore, I do not believe that that premise is a sound one, because you would have to feed and keep the country going that you are occupying for your own security; so that I cannot see, up to now—and I am just as anxious to be critical if it is deserved—where there is anything done in this operation that was not done in any other operation of this nature. We did it in the South even during our own Civil War, and properly so, where one country is defeated the victor walks in and takes all of the money and just leaves the currency of the country riding free. That was done in Germany and certainly was done in Japan.

#### PHILIPPINE CURRENCY

Mr. Chairman, while I am talking, and I will try not to utilize too much time, my recollection is that you in the War Department sent out printing presses to General MacArthur in Australia, and we printed a vast amount of money and sent it in to the guerrillas in the Philippines, and with that money we opened 300 radio stations in the Philippine Islands, scattered all over the islands. They were moving radio stations and constantly, at a given hour, they told General MacArthur what the Japs were doing and what the weather con-

ditions were. That was done, and I do not think by an act of Congress. It was done by the military commander in the field, and it was a darned wise expenditure.

That currency is still floating around out there, and I do not know who is going to pay for it in the long run, but I ascertain it will probably be the Treasury of the United States.

#### HIGHEST AMOUNT HELD IN EXCESS MARKS

Chairman BRIDGES. What was the highest figure, Mr. Petersen, of currency at any one time that was outstanding.

Mr. PETERSEN. That is the \$380,000,000 figure which I gave you as the amount which we held at the time that conversions of foreign currency into dollars was stopped.

Chairman BRIDGES. What date, approximately, was that?

Mr. PETERSEN. In Japan it was July of 1946, and in Europe it was September of 1946.

#### PROVISIONS OF GENEVA CONVENTION

Chairman BRIDGES. Now, are you going to deal with the authority for you to do this?

Mr. PETERSEN. You have given me leave to put in the record the provisions of the Geneva conventions bearing on this.

(The information is as follows:)

Article 43 of the Hague convention of October 18, 1907 (36 Stat. 2306), reads as follows:

"The authority of the legitimate power having in fact passed into the hands of the occupant, the latter shall take all measures in his power to restore, and insure, as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country."

This places upon the occupying power the responsibility of taking all necessary measures to restore public order and safety. This must of necessity include the restoration of economic stability. The printing of occupying currency to replace that which has become valueless as a result of the military conquest is clearly a measure required for the restoration of public order and safety. It may also be pointed out that the establishment of the stable currency is required not only for the protection of the people of the occupied country but also to protect the troops of the United States from possible rioting and violence which would result from a seriously inflated currency.

#### TURNING OVER OF ENGRAVING PLATES TO U. S. S. R.

Chairman BRIDGES. If we are going into this, I want to get to the point of turning over the plates to the Russians. Are you going to cover that?

Mr. PETERSEN. I have that in my statement.

Chairman BRIDGES. Will you proceed to that?

#### TROOP MORALE

Mr. PETERSEN. I was saying that one of the important elements in assuring troop morale was to see that they had purchasing power for their money, and that was a problem recognized by Congress, and I would like to quote the report of the Senate Committee on Banking

and Currency in its report on Public Law 554, which I have referred to. The report says:

The aim of all agencies considered (it) of paramount importance, to provide means whereby the morale of personnel serving abroad will not be disturbed because of fluctuations in foreign exchange—

and added that—

protection is afforded only when personnel receiving such foreign currencies as pay can exchange them without loss for United States currency or the currency of yet another country to which they may be proceeding under military orders.

#### PLANNING FOR INVASION OF EUROPE

Planning for invasion of Europe: Our decision to invade Europe was one of the most momentous in the history of our Nation. Every phase of the operation, both military and administrative, presented problems of enormous import and complexity.

The currency problems were no exception. For security reasons alone, the problem of obtaining suitable legal tender, well ahead of the attack, for disbursing and procuring officers and for the individual troops participating in operations shrouded in military secrecy, was tremendous. Even if otherwise possible, it was considered unsafe to approach most governments in exile, as demands for specific quantities and specified delivery dates would have provided invaluable data to unfriendly persons.

In order to be prepared for any eventuality in Germany, including a situation in which inadequate supplies of reichsmark currency would be available to the combined military forces, due, for example, to a scorched-earth policy on the part of the retreating enemy, a supply of supplemental legal-tender currency similar to that known to the local population was imperative.

#### POLICIES WITH RESPECT TO GERMANY

With respect to Germany, the United States and British Governments desired the Soviet Government to use the same Allied military German currency as that used by the combined United States-United Kingdom military authorities, as part of the plan to treat Germany as an economic whole. To agree to the Russians using a different currency would have constituted an agreement in advance to what unfortunately actually happened—the division of Germany into four airtight compartments. As you know, this result was never intended, and its consequences which have so gravely hurt our occupation in Germany were a result assiduously to be avoided.

#### NEGOTIATIONS WITH THE SOVIETS

My information on this point is as follows: A combined United States-United Kingdom decision was taken early in 1944 that a German-mark currency would be used by the combined military forces for expenditures in Germany. As was done in preparation for invasions of other areas where scarcity of currencies might exist, such as in the case of the military lira used by the combined military forces in Italy, Allied military marks were printed for use in Germany.

**Chairman BRIDGES.** Right there, you say from the information at your command.

**Mr. PETERSEN.** I explained, Senator Bridges, that I knew nothing of this prior to the time I took my present position, which was in December of 1945. The event of which I am now speaking, and in fact most of these accumulations of currency occurred before that date.

**Chairman BRIDGES.** When you say "the information at your command," and you refer to the Russians, where did you get your information? What is the source of it?

**Mr. PETERSEN.** From our files and conferences with people who were in the Department at the time, and are now in the Department, who knew part of the story.

**Chairman BRIDGES.** All right.

#### PRINTING OF MILITARY OCCUPATION CURRENCY

**Mr. PETERSEN.** Because we had the facilities, the printing was done in the United States.

Negotiations were undertaken with the Soviet authorities in Washington for the purpose of assuring that the Soviet forces would use the same mark currency. The Soviet authorities agreed to use a German mark currency of the same design as that which would be used by the United States and British forces in Germany. However, the Soviets refused the offer of the United States-United Kingdom authorities to furnish the Soviets with adequate supplies of Allied military mark currency, and demanded that facilities be made available to them from which they could prepare their own supplies of Allied military marks. Negotiations extended over several months. On April 8, 1944, the Russian Government sent a note to the United States stating that if the plates were not delivered to the Russians, the Soviet Government would be compelled to prepare independently military marks for Germany of its own pattern.

The British Government advised this Government that the use of a Russian-produced mark currency distinct from that used by the United States and the British would be prejudicial, and agreed that the Russians should be given the plates from which the currency was printed. After due consideration, the United States Government agreed to make the plates available to the Russians, and this was done. On April 18, 1944, the Soviet Ambassador was furnished with glass negatives and positives of plates for the use of the Soviet Government in the printing of Allied military marks, together with technical information on inks.

#### ADVICE OF BRITISH ON ENGRAVING PLATES FOR USSR

**Chairman BRIDGES.** Right there is a very interesting point. When you say that the United States agreed, we apparently took the advice of the British. To start with, who made the decision in the United States to give away these plates? That is one of the crucial things in this whole situation. Who in the United States made the decision to turn over to the Russians, United States engraved printing plates for producing currency?

Mr. PETERSEN. The record as I have seen it in the War Department indicates that the decision was made by the State and Treasury Departments. Now, I have copies of the matter here.

The matter was first considered in the Combined Civil Affairs Committee, which was a creature of the Combined Chiefs of Staff. That was a joint United States-United Kingdom organization. I have here which I will be glad to either read or submit for the record the minutes of the two meetings at which this matter was discussed.

I have also here a letter signed by General Marshall, as Chief of Staff, acting for the Combined Chiefs of Staff, and all three of which documents indicate that the decision was considered to be a political or diplomatic decision, and therefore one which was turned over for determination by the Treasury and State Departments, and by the foreign office of the British Treasury.

Chairman BRIDGES. On the dates when this deal was made, who headed the Treasury Department and who headed the State Department?

Mr. PETERSEN. The matter was not decided in the meeting of the Combined Civil Affairs Committee, but was referred for a Government decision, so no definitive action was taken in these meetings to which I have referred. All that can be said is that these minutes evidenced the fact that the decision was one which was later made by the State and Treasury Departments.

Therefore, I think it is a matter on which you should question representatives of those two departments, because it was not a War Department decision.

#### RESPONSIBILITY OF WAR DEPARTMENT FOR TURNING OVER ENGRAVING PLATES

Chairman BRIDGES. So that we can proceed clearly as we go along, the testimony you have given here indicates that the War Department had absolutely no part in the giving of the American plates for producing American-occupied currency to the Russians?

Mr. PETERSEN. From the information which I have been able to obtain, that is the case.

Chairman BRIDGES. And that it was done by the State Department and the Treasury Department, and on their shoulders rests the decision for turning over American plates to the Soviet Government for the printing of the currency?

Mr. PETERSEN. That is correct, assuming my evidence is complete on what transpired over 3 years ago in the War Department.

Senator TYDINGS. Mr. Chairman, I think it would be fine if we could get in the record at this point just what these plates were for. Are they all for German marks or Allied marks?

#### ALLIED MILITARY MARKS

Mr. PETERSEN. They are all for Allied military marks.

Senator TYDINGS. They are Allied military German marks?

Mr. PETERSEN. Yes, sir.

Senator TYDINGS. And is it possible to get some sort of picture of them in the record?

Mr. PETERSEN. I do not have any specimens here, but I am certain the Treasury representatives can readily furnish those.

Senator TYDINGS. How about the case of Japan, were they for those?

Mr. PETERSEN. There was no transfer of plates except in Germany.

Senator TYDINGS. None of them were for dollars?

Mr. PETERSEN. No.

Senator TYDINGS. None of them were for marks of the old style?

Mr. PETERSEN. None were reichsmarks, they were all Allied military marks.

Senator TYDINGS. It was devoted to one class of currency, which I call the Allied German military mark?

Mr. PETERSEN. That is correct.

Senator FERGUSON. Will you state what denominations these plates were in, and were the denominations given to the Russians the same as we printed?

Mr. PETERSEN. I think the denominations given to Russia were the same as we printed.

Senator FERGUSON. Did we print any 1,000 marks and 5,000 marks?

Mr. PETERSEN. We did not; I am told.

Senator FERGUSON. Did we not issue plates to Russia calling for 1,000 and 5,000 marks?

Senator KNOWLAND. I do not think the witness wants the testimony to stand that there were printed no 1,000-mark notes.

Senator FERGUSON. Were any circulated?

Mr. PETERSEN. We printed 1,000 mark notes, but they were never circulated.

#### CURRENCY TURNED OVER TO ALLIES

Senator KNOWLAND. Right at that point, I understand we released to the French 28 boxes with 800,000 mark notes for a total of 800,000,000 marks, and released to the British 57 boxes, containing 1,824,000 notes of 1,000 denomination, which would be 1,824,000,000 marks, and then we released to the United States Currency Section 56 boxes, of 1,792 thousand mark notes for 1,792,000,000 marks, and then one box were 20,000 thousand mark notes for some 20,000,000 marks.

Mr. PETERSEN. We printed the Allied military marks for both the British and the French—and ourselves. The reason for that was that the facilities were available here. The British facilities were also used but they were engaged at that time in the printing of other currencies.

Senator FERGUSON. On the 5,000-mark plate, what about that?

Mr. PETERSEN. I am advised that we did not print any 5,000-mark notes.

Senator FERGUSON. Did we deliver plates to Russia so that they had the plates to make 5,000-mark notes?

Mr. PETERSEN. The answer, I am told, is "no."

Senator FERGUSON. Did we give them any plates that we did not print the denominations of?

Mr. PETERSEN. These are questions that you can better get from the Treasury experts.

## RELEASE OF PLATES TO OTHER THAN SOVIETS

Senator KNOWLAND. I would like to ask one additional question at this point because I think it fits in with the whole picture here. Did you release the plates to any other Allied power other than Russia?

Mr. PETERSEN. No.

## CONVERSION RATE OF ALLIED MILITARY MARK

Senator KNOWLAND. And for the record, what was the value placed by the American Government or the Allied Governments, in dollars, on a mark? Was it 10 cents?

Mr. PETERSEN. The conversion rate was 10 to 1—10 cents.

## ACQUIESCENCE OF WAR DEPARTMENT TO SOVIET REQUEST

Chairman BRIDGES. Let me ask you one question right here. Did the War Department, Mr. Petersen, and the Joint Chiefs of Staff, acquiesce, without protest, to the decision of the Treasury Department and the State Department that these plates should be turned over to Russia?

Mr. PETERSEN. Senator Bridges, it is very difficult for me to answer that question because I have nothing to do with this business, or had nothing to do with it at that time, and I knew nothing of it. I have based my statements on the War Department's participation in this decision on the minutes of the meeting of the Combined Civil Affairs Committee, where this matter was discussed but not decided.

Now, my predecessor, Mr. John J. McCloy, was chairman of that committee, and in a meeting held on April 1, 1944, the minutes note that McCloy stated that he felt the question was primarily a diplomatic one. He suggested that it be discussed again with the Treasury Department before a decision was reached by the committee. No action was taken at that meeting.

Now, there was a subsequent meeting.

Senator FERGUSON. Could you give us the date?

Mr. PETERSEN. The first meeting was April 1, 1944. At a subsequent meeting held on April 13, 1944, General Macready, who was the British representative—and this is the official minutes of the meeting—started out by saying that the proposed letter from Admiral Leahy to the Secretary of the Treasury had been cleared by the Combined Chiefs of Staff, and he remarked that the action in that letter took the matter out of the hands of the military and returned it to the State Department, the Foreign Office and the two Treasuries, where he felt that it rightfully belonged since the considerations were primarily political and technical.

Now, there is some other discussion here, but that is the pertinent thing on the turn-over to those two departments. The only action by the committee was to take note of the discussion.

## EXTRACT FROM LETTER BY GENERAL MARSHALL

Then there is a letter which I have, dated April 13, 1944, which is the same day, addressed by General Marshall, writing for the Com-

bined Chiefs of Staff to the Secretary of the Treasury, and the pertinent part of that letter is:

If the United States Treasury and the State Department in conjunction with the Foreign Office and the British Treasury decide to furnish duplicate plates to the Soviet Government, it appears that this action could be taken any time after May 1, 1944, without interference with General Eisenhower's requirements for Allied military mark currency.

This is the principal basis of my information. Mr. McCloy will be available to testify at any time.

Senator TYRINGS. I suggest that you, Mr. Chairman, for the information of the committee, develop from the witness how this request reached America. Obviously from your former testimony, the decision was made in England as a part of the invasion plans of the Continent, and I think that we ought to know who made the decision and who sent it over to America and to whom it came, because evidently the decision was made over there to issue this money as a part of the invasion plans.

Now, I would like to know and I wish that you would ask the questions to develop who made the decision and who brought it over to the country, and to whom it was submitted when it was brought over here.

Chairman BRIDGES. Could you answer those questions?

Mr. PETERSEN. I cannot name specific names, but generally the planning for the currency prior to invasion was a part of the military planning, and it was done undoubtedly in the SHAEF headquarters in London prior to the invasion and well in advance of the invasion.

The request then for the necessary governmental clearances and approvals would be transmitted by General Eisenhower to the Joint Chiefs of Staff, his boss, and inasmuch as the matter involved agreement with the British it became in the province of the Combined Chiefs of Staff.

As these minutes and the letter which I have read evidence the combined chiefs of staff both on the British and the American side, and their creature, their subcommittee, the combined Civil Affairs Committee, determined that this should be handled not by the military but by the political side of both the British and American Governments, namely the State and Treasury Departments, and the Foreign Office and the British Treasury.

Senator TYRINGS. Then it originated in Europe, in SHAEF or one of the planning divisions, and came over here first to the Joint Chiefs of Staff. I assume they approved it and transmitted it to the civil departments of the Government for their approval, but you are pretty certain that the original recommendation that this be done came from the planning of the invasion of Europe by our head men in England?

Mr. PETERSEN. Let me say the recommendations that there be invasion currency came from that source.

Senator TYRINGS. Then who formulated the plan? Was it done over there or was it done here?

Mr. PETERSEN. Both sides, probably, by the Treasury, the War Department and other experts and the military government people in the War Department, and the planning division in SHAEF.

Senator TYRINGS. It did clear the Joint Chiefs of Staff before it reached the civilian branches of our Government?

Mr. PETERSEN. That is correct.

Senator TYDINGS. And ostensibly I suppose it is fair to ask that they approved it before it went to these others, otherwise it would never have gone any further?

Mr. PETERSEN. I certainly would assume so, Senator.

#### LIMITATIONS ON AMOUNTS OF CURRENCY FOR FRENCH AND BRITISH

Senator FERGUSON. Was there any limitation on the amount to be printed for the French or the British? Were they able to ask for any amount or did they have to show cause as to why they wanted a certain amount?

Mr. PETERSEN. We certainly knew what they were given because we were the source of the notes.

Senator FERGUSON. But did they have to give you a reason why they wanted so many marks?

Mr. PETERSEN. I cannot answer that, Senator. There was an initial issue of a large amount of notes, apparently the issue was thought not to be unreasonable. More than that, I cannot say.

#### PRINTING OF CURRENCY FOR AUSTRIA

Senator FERGUSON. Was that the only basis? Did we turn over any plates to print money for Austria?

Mr. PETERSEN. No, sir.

Senator FERGUSON. We printed all of the currency that the British actually received?

Mr. PETERSEN. I think actually, you are talking about Austria now, the shilling was printed in Great Britain. We received shillings from Great Britain. There is a question of using the available engraving and money-making facilities in the world. They were heavily taxed as you know all during the war.

#### DENOMINATIONS OF AMM PRINTED

Senator FERGUSON. Could I inquire on this proposition: Did we print all of thtse different denominations that Russia printed? Have you had in circulation in our zone or in the Russian zone any evidence that they printed in different denominations than we printed in?

Mr. PETERSEN. Not to my knowledge, Senator.

Senator FERGUSON. Did you not find a great amount of 1,000-mark notes?

Mr. PETERSEN. We printed them, but did not circulate them.

Senator FERGUSON. Did you not find a great amount of these 1,000-mark notes, some \$3,000,000 of them, in the banks in our zone that were printed in the Russian zone?

Mr. PETERSEN. We got some of those Russian marks, I have no doubt, and I will come to that later.

Senator FERGUSON. Do you have the amount that we got?

Mr. PETERSEN. I do not; no.

Senator FERGUSON. What were the denominations, do you have them?

Mr. PETERSEN. They were 20 marks, 50 marks, 100 marks, and 1,000 marks. It was one-half mark, 1 mark, 5 marks, and 10 marks. Those were in three different sizes.

Senator FERGUSON. Have you ever seen any evidence that different denominations had been issued than what we actually turned over to the Russians?

Mr. PETERSEN. Not to my knowledge, sir.

#### LIQUIDATION OF EXCESS MARKS HELD BY WAR DEPARTMENT

Senator SALTONSTALL. I would like to ask a very elementary question in connection with these printing presses, which would help clear the thing in my mind. Mr. Petersen, you said at the very opening, it would require no appropriation from Congress to make good on this overdraft of these, which is now \$160,000,000. You stated that you got the authority to issue this money from the Hague Convention.

Now, I assume that your original appropriation from Congress with which you started this money on the printing presses, was the appropriation for Army purposes, for pay and subsistence and purchase of material and so forth abroad. Now, do I understand that the payment for this, and when you say that no appropriation will be required to take care of this overdraft, you expect to get that out of reparations in the form of gold and silver and so on that Senator Tydings brought out?

Mr. PETERSEN. No, sir; we do not expect to resort to that.

Senator SALTONSTALL. How do you expect to get paid on this overdraft?

Mr. PETERSEN. Through normal expenditures of these currencies for authorized purposes, such as the one I have mentioned, the big one, which is the prisoner-of-war arrangement, and I will give you several other examples.

Senator SALTONSTALL. That is the question of foreign exchange, then.

Mr. PETERSEN. We have dollars in the Treasury to pay the prisoners of war, and we pay instead out of these long mark accounts, and put the dollars there in these mark accounts.

Senator SALTONSTALL. Am I correct then in my assumption that the original appropriation from Congress came in the form of Army appropriations for pay and subsistence?

Mr. PETERSEN. Yes, sir; pay allowance and subsistence in those \$380,000,000 amounts. That is the amount in excess of the amounts that Congress appropriated.

Senator SALTONSTALL. In other words, the printing presses worked \$380,000,000 more than the account?

Mr. PETERSEN. Our conversion into dollars worked \$380,000,000 more.

Senator SALTONSTALL. And some of this came from the Russian printing presses?

Mr. PETERSEN. That is correct, sir. That is all in my statement, I think.

#### LETTER FROM SECRETARY OF WAR TO SENATOR KNOWLAND

Senator KNOWLAND. Right at this point, Mr. Chairman, I would like to read a letter that I received from the Secretary of War in re-

gard to a prior inquiry that I made to him. It is dated May 20, and it is as follows:

DEAR SENATOR KNOWLAND: I have your letter of May 3, 1947, in which you request information as to how many notes of 500, 1,000, or 10,000 mark denominations there are in the American zone in Germany. From information available in the War Department, as provided by the United States military government officials in Germany, there are no 500 mark notes or 10,000 mark notes in the United States zone banks in Germany.

However, the total number of 1,000 mark Allied military notes held by banks in the United States zone aggregated 10,345 in December of 1945, and 35,040 in June of 1946, and 40,022 in March of 1947. In addition, the Land Bremen had approximately 2,000 of 1,000 mark Allied military notes. It may be of interest to you to know that on December 31, 1946, the banks in the United Kingdom zone had 151,000 of these notes in the city of Berlin. It was estimated that the banks in the Soviet zone exclusive of savings banks held in excess of 1,000,000 of these notes on September 30, 1946. There is no indication available as to the quantity of notes in the hands of individual Germans in the zone.

In this connection, your attention is invited to the information provided Mr. George Meader by the War Department by letter dated November 20, 1946, in response to questions by Mr. Meader regarding General Clay's testimony before the Senate Special Committee Investigating the National Defense Program.

Sincerely yours,

ROBERT P. PATTERSON,  
Secretary of War.

#### 1,000 MARK NOTES PRINTED BY SOVIETS

Now, I would like to ask Mr. Petersen, since the United States did print 1,000 mark notes but according to the information our Army did not release any of them, the indications are that we supplied them to the British and the French and I presume they did not issue any of the 1,000 mark notes, then all of the 1,000 mark Allied military marks which are either in the hands of the American authorities or the British authorities or the German banks in any of the zones must have come from the Russian zone, is that correct?

Mr. PETERSEN. I will ask General Richards to answer that point.

#### TESTIMONY OF MAJ. GEN. GEORGE J. RICHARDS, BUDGET OFFICER, WAR DEPARTMENT

(The witness was duly sworn by Chairman Bridges.)

General RICHARDS. It is my impression that the British and the French may have issued some of those thousand-mark notes and the rest of it probably came from the Russian zones. But I would like to request the Senator to read the letter from Brigadier General Shulgen, particularly the next to the last paragraph, I believe, of that letter.

Senator KNOWLAND. Is that the one to Mr. Meader?

General RICHARDS. I believe it is the one addressed to you, in which General Shulgen said that the officers have never accepted more than 10 of those notes.

#### LETTER TO MR. MEADER FROM WAR DEPARTMENT

Senator KNOWLAND. Yes, sir. I will read that paragraph. That is the one, the prior letter addressed to Mr. Meader, which is signed by George F. Shulgen, brigadier general, United States Army.

The two paragraphs to which you have reference:

With respect to thousand-mark notes, the report of the Military Governor for July 1946 shows reichsmarks 48,940, and 1,000-mark notes in the German

banks in the United States zone in Berlin, a tabulation of the thousand-mark notes printed by the United States showing the number turned over to the British and French is given on enclosure No. 4. The portion of these notes held by the United States is still in unopened boxes. None have been issued.

With respect to thousand-mark Allied notes which may have been issued by any other ally, the commanding general, European theater, on November 22, 1944, issued instructions to all United States Army disbursing officers prohibiting the acceptance of any thousand-mark Allied notes without the approval of a general officer. This was later changed to permit acceptance only upon approval by the office of the theater fiscal director. These instructions appeared to be strictly enforced and I am informed that less than 10 thousand-mark Allied notes have ever been received from Army disbursing officers.

General RICHARDS. Ten 1,000-mark notes?

Senator KNOWLAND. That is right. Ten 1,000-mark notes. I see the point you are driving at.

General RICHARDS. May I make this remark?

#### CONVERSION OF AMM NOTES

Senator KNOWLAND. Let me correct this situation at this point. Is this not correct, if any one who had the power to change marks into dollars, namely, American military or civilian personnel, if they took a thousand-mark note and took it to a German bank, or took it to a store, or took it to any place else, and get ten 100-mark notes, that they could then turn around and take those ten 100-mark notes and cash them without having to go through this process?

Mr. PETERSEN. They would not have to go through this devious process.

Senator KNOWLAND. I am saying they could. So what we may have is that the German banks are holding the 1,000-mark notes, they in turn delivered 100-mark notes, or 50-mark notes to those who would convert them and then they would get American dollars by converting the smaller notes.

Mr. PETERSEN. No one is denying that they cashed the Russian marks.

Senator KNOWLAND. So the fact that only ten 1,000-mark notes were held by American fiscal officers would be no assurance that we have not cashed a great many indirectly of these 1,000-mark notes issued by the Russians.

They are obviously in the German banks.

#### NUMBER OF 1,000 AMM NOTES HELD BY THE WAR DEPARTMENT

General RICHARDS. The report that came from the European theater indicated that not more than four 1,000-mark notes were in the possession of the disbursing officers. We checked that recently and they say that as far as they can now determine, not more than two 1,000-mark notes were ever in the hands of the United States disbursing officers and they were not backed by dollars, as nearly as they can figure.

When that letter was written we put 10 in, instead of the 4, so that there would be no doubt that we had not tried to minimize any number of 1,000-mark notes which had come into the disbursing officer's possession.

However, as you say, if some United States soldier had received a 1,000-mark note for ten 100-mark notes, or fifty 20-mark notes, from a Russian, or Russian notes from a German citizen, he could have

come in, in the preliminary days, under certain conditions and have received dollars for them.

Senator KNOWLAND. That is right. And the American military personnel in Germany, knowing that directives had been issued that they could not cash a 1,000-mark note if they wanted to convert German marks into American money, the obvious thing for them to do would not be to present a 1,000-mark note to the fiscal officer, but to cash it into smaller denominations and that apparently was what has been done.

General RICHARDS. Or that a German citizen may have received a 1,000-mark note from a Russian and may have deposited to his credit in the bank.

Senator KNOWLAND. That is correct.

#### DIFFERENCE IN UNITED STATES AND GERMAN OCCUPATION CURRENCY

Senator FLANDERS. May I inquire whether they are distinctive marks, distinctive indications, separating American mark notes, British mark notes, French mark notes, and Russian mark notes?

Mr. PETERSEN. I would prefer you ask that Senator Flanders, of the Treasury representative who knows more about currency than I. There was a small dash on certain of the notes printed by the Russians which did not appear on certain of the notes printed by us, but on the replacement notes printed by us that same small, almost imperceptible dash before the serial number did appear. That is as much as I know about it.

Senator FLANDERS. There really is no way of checking the source of these notes.

Mr. PETERSEN. It is correct to say that you cannot, and could not, in the volume of transactions which were had, precisely determine the source of the notes.

Chairman BRIDGES. Mr. Petersen, the fiscal officer of the War Department is here. He is handling the matter.

Mr. PETERSEN. General Richards can answer that, Senator.

Chairman BRIDGES. Do you handle them, General Richards, as budget officer?

General RICHARDS. The Chief of Finance handles the details of whether they can tell the difference between them or not.

Chairman BRIDGES. Is the Chief of Finance here?

Mr. PETERSEN. He is here.

Chairman BRIDGES. I think that at this time we should hear from the Chief Finance Officer?

Mr. PETERSEN. The question is whether you can distinguish between the military marks printed in this country and the military marks printed by the Russians.

#### TESTIMONY OF MAJ. GEN. W. H. KASTEN, CHIEF OF FINANCE, UNITED STATES ARMY

(The witness was duly sworn by Chairman Bridges.)

Chairman BRIDGES. Your full name is what?

General KASTEN. Maj. Gen. W. H. Kasten, Chief of Finance, United States Army.

Chairman BRIDGES. And the question addressed to you by Senator Flanders here, is whether or not there are distinguishing marks or any

method of distinguishing between the occupation marks of the Americans or the Russians?

Senator FLANDERS. That is the important one, between the Americans and the Russians.

General KASTEN. I must state to the committee that the issuance of these marks and these transactions transpired before my term as Chief of Finance. So the information that I give is also what I have had to dig out.

Chairman BRIDGES. You are handling them now, though, General, are you not?

General KASTEN. Sir?

Chairman BRIDGES. You are handling them now?

General KASTEN. No, sir. They are all on the other side. We have them all.

Chairman BRIDGES. But they are under your responsibility?

General KASTEN. Yes, sir.

Senator FERGUSON. What is his answer?

Chairman BRIDGES. Will you answer the question?

Senator FERGUSON. What is your answer?

General KASTEN. The answer to the question is, as I started to say—I stand to be corrected if I am in error—that, as I understand it, the original printing that was done here differentiated the marks printed for the Russian Government by, as Mr. Petersen said, a slight dash before the serial number.

Senator FERGUSON. General, was there a reason for putting that on? Was it determined at the time that you desired to know what was being printed by the Russians and cashed by the Americans?

General KASTEN. That I cannot answer.

Senator FERGUSON. Do you know why the dashes were put on?

General KASTEN. I do not. No, sir. I believe that could be answered by the Treasury Department.

General RICHARDS. May I amplify that?

Chairman BRIDGES. What is your full name, General Richards?

General RICHARDS. George J. Richards, budget officer, War Department.

This testimony really should be given by some one from the Treasury or the Bureau of Printing and Engraving. But in order that the committee may know what I understand they can testify, I will testify as follows: That within these boxes of notes which were printed by the United States Government, European, a dash was inserted in front of the serial number, what they call "replacement notes." That is to say, if a note in a box which is coming off the press was a poor note, they would pull it out and put another note in place of it and that note had a dash on it.

Therefore, it would be awfully hard to tell with respect to the dash alone which was a Russian note and which was a United States note.

Second: There were released to the representatives of the Soviet Government certain plates comprising all printing, both positives and negatives, for the mark notes, together with samples of inks and paper. Also drawings, specifications, and other related material.

In the early part of June 1944, 10,080 pounds of dry colors, extenders, varnishes, and so forth, were shipped by this Bureau—that is the Bureau of Printing and Engraving. Pursuant to further arrange-

ments made between the State Department and the Soviet Government, three shipments of dry colors, amounting to 5,516 pounds were prepared and dispatched on specific dates: So, therefore, the dash was in front of the notes; they had samples of the inks, paper, drawings, specifications, dry colors, and so forth.

So, I would say for the average soldier, except for the expert, very expert, it was very difficult to determine the Russian and American notes.

#### RESTRICTION ON NUMBER OF NOTES ISSUED BY SOVIETS

Chairman BRIDGES. May I ask you, General Richards. Was there any action taken by the War Department to restrict the number of notes issued by the Russians?

The next question I want to ask you is whether, to your knowledge, there was any action taken by the State Department or the Treasury Department to restrict them?

General RICHARDS. I know of none.

Mr. PETERSEN. The answer of the War Department is "No."

Chairman BRIDGES. And, as far as you know, was there any action taken by the State or the Treasury Department to restrict Russia in the number of notes she would issue?

Mr. PETERSEN. To my knowledge, none.

#### POSSESSION OF ENGRAVING PLATES BY SOVIETS

Chairman BRIDGES. My next question is, does Russia still have the plates, so far as you know?

Mr. PETERSEN. As far as I know, they still have the plates.

Chairman BRIDGES. And as far as you know, are they still printing the currency?

Mr. PETERSEN. As far as I know, they are still printing the currency.

Chairman BRIDGES. And has there been any protest from this Government endeavoring to stop them?

Mr. PETERSEN. There have been strenuous efforts from the Allied Control Council in Berlin to obtain an accounting from the Russians as to the amount of Allied military marks which they have issued. Those efforts have been unsuccessful.

Senator FERGUSON. Mr. Chairman?

Chairman BRIDGES. Senator Ferguson.

#### AMM NOTES ARE LEGAL TENDER

Senator FERGUSON. Are these marks legal tender the same as the reichsmarks?

Mr. PETERSEN. The marks are legal tender. They are interchangeable without distinction on a 1-for-1 basis with the reichsmark. That is the rule with the German economy. However, we did not convert into dollars any reichsmarks.

Senator FERGUSON. This would be possible, that any one being in Germany, and having these marks in their possession, coming from the printing press, could purchase any amount of property and acquire title that later would be recognized in the purchaser because it is a legal tender?

Mr. PETERSEN. That is correct. It is legal tender.

Senator FERGUSON. And that applies in all zones and the mark from one zone can be used in any other zone?

Mr. PETERSEN. That is correct.

Senator FERGUSON. That is what we say here when we find these thousand-mark notes in the banks, that they have been circulating from other zones.

Mr. PETERSEN. Yes; because we did not put any in circulation ourselves.

#### REDEMPTION OF OCCUPATION CURRENCY

Senator FERGUSON. Is there any plan under our system of setting up a new government in Germany for any of these countries, any plan at all to redeem these notes, or will it mean that the banks will have this worthless money or this money at the end under a new system?

Mr. PETERSEN. I have two answers to that. We have been trying for over a year to effect a currency reform in Germany which would entail the issue of new specie and a devaluation of the currency existing specie that is outstanding.

Senator FERGUSON. That has been going on for a long time.

Mr. PETERSEN. That is correct. And we have not been able to get the Russians to agree to it.

Senator FERGUSON. That is what is holding it up—the Russians?

Mr. PETERSEN. That is correct.

Senator FERGUSON. Does that contemplate redeeming or doing anything with these marks, these allied marks?

Mr. PETERSEN. They would have to be changed at the same time that the reichsmark was changed.

There is one other thing I would like to add, Senator Ferguson. There has been agreement between the Four Powers in the Allied Control Council which provides for assurance that the German Government will redeem the allied military marks as part of the occupation costs.

Senator FERGUSON. Then could that not amount to a reparation to the Russians if the German people had to redeem all of these marks that had been published?

Mr. PETERSEN. Reparations and payment are about the same thing, are they not?

Senator FERGUSON. That is right.

#### DEVALUATION OF AMM NOTES

Senator O'MAHONEY. What did you say about devaluation of these marks?

Mr. PETERSEN. We have been trying since last April—April 1946—to effect a program whereby we will cut down the tremendous currency overhang which exists in Germany today. They have a vastly inflated currency.

Those discussions have gone on, somewhat ad nauseam, in the Allied Control Council in Berlin, but no agreement has been reached. The main stumbling block has been that the Soviets are unwilling to agree to a central administrative agency, such as would be necessary if you were to effect currency reform applicable to all four parts of Germany.

Senator O'MAHONEY. I understood you to use the word "devaluation."

Mr. PETERSEN. The part of the currency reformation would be the issuance of a new specie at a devalued rate.

Senator O'MAHONEY. As a substitute for the outstanding?

Mr. PETERSEN. Yes. That is right. You would call your old currency in and put in a new.

Senator O'MAHONEY. And if such an agreement were made, then the old currency would be no longer of any value at all except for redemption in the new currency.

Mr. PETERSEN. It would no longer be legal tender and only good for reconversion.

#### REDEMPTION OF AMM NOTES BY SOVIETS

Chairman BRIDGES. In that connection, Mr. Petersen, we, the American Government, redeem the occupation currency issued by the Russians, but do the Russians redeem, in rubles, the occupation currency?

Mr. PETERSEN. They do not; not even for their own soldiers.

Chairman BRIDGES. So if there is any redemption, America redeems in American dollars for the currency issued by the Russians, while the Russian Government refuses to redeem in rubles the currency issued by themselves to their own soldiers.

Mr. PETERSEN. Senator, we are under no obligation to redeem this currency put out.

Chairman BRIDGES. But as a matter of fact we are doing it.

Mr. PETERSEN. No. We are not redeeming it. We have accumulated more than we should have, yes.

Chairman BRIDGES. In fact, we will cash it in for American dollars.

Mr. PETERSEN. But we expect to use that currency for expenditures which would have otherwise required dollars.

Senator O'MAHONEY. Mr. Chairman, I suggest that the witness make this answer quite definite now. I understood you to say that we are not redeeming. Is that right?

Mr. PETERSEN. That is correct.

Senator O'MAHONEY. What is the extent of the obligation of the American Government at this moment?

Mr. PETERSEN. None.

Senator O'MAHONEY. Is there to be any other obligation?

Mr. PETERSEN. In respect of this currency?

Senator O'MAHONEY. Yes.

Mr. PETERSEN. None.

Senator O'MAHONEY. So that the responsibility of the United States now to redeem this outstanding currency is zero?

Mr. PETERSEN. Zero. Correct.

Chairman BRIDGES. Mr. Petersen, right in that connection, you have cashed in—

Mr. PETERSEN. We have cashed in—

Chairman BRIDGES. For American dollars, which I call redeeming—

Mr. PETERSEN. Which I do not call redeeming.

Chairman BRIDGES. I do not see that. What do you call it when a soldier comes—

Mr. PETERSEN. It is a legal connotation. It is an exchange.

## EXCHANGE OR CONVERSION OF NOTES

Chairman BRIDGES. When a soldier comes to you and wants to exchange occupation currency which may have been issued by the Russians for American dollars; you call it exchange?

Mr. PETERSEN. I call it exchange or conversion, because that means taking it in and tearing it up.

Chairman BRIDGES. You can take it in and change it, which I call redemption.

Mr. PETERSEN. That was the case, Senator Bridges, until the institutions of the military payment certificate plan which in Germany was September of 1946. But there is no obligation of the United States Government back of this currency to redeem or do anything about it.

Senator O'MAHONEY. What is the situation now with respect to conversion?

Mr. PETERSEN. There has been no conversion since that was stopped in September 1946, in Europe, and in July of 1946, with respect to the yen in Japan and Korea.

Senator O'MAHONEY. So that since those dates, if I understand you correctly, there is no obligation upon the part of the United States either to redeem or to convert?

Mr. PETERSEN. Correct.

Senator BROOKS. May I ask this question?

Chairman BRIDGES. Senator Brooks.

Senator BROOKS. The German people are still using this and accepting it as legal tender at the present time?

Mr. PETERSEN. That is correct.

Senator BROOKS. And the longer you delay devising a means of exchanging a new currency for this gives the Russian people that much longer to flood the zones with their currency that is now considered legal tender but will not be redeemed by any government?

Mr. PETERSEN. I could point out, Senator Brooks, that I think it is completely within the power of the Russians to print reichsmarks. After all, they need not use allied military marks as a medium of exchange.

Senator BROOKS. I understand that. But I am talking about the kind of money that we introduced into it, and we certainly have used the power of this Government to establish a faith in it, have we not?

Mr. PETERSEN. Yes. I suppose that is correct.

Senator BROOKS. And the sooner we stop it and change it, the more we are going to benefit the people from getting a species of currency that, for all outward appearances, comes from America but actually comes from the printing presses of Russia.

## UNITED STATES RESPONSIBILITY FOR REDEMPTION

Senator SALTONSTALL. Mr. Chairman, I do not understand Mr. Petersen's answer to Senator O'Mahoney.

You said to Senator Knowland, and later to me, if I understand you, that you were \$160,000,000 in marks, in a long position today. Now, to get rid of those, you have got to find dollar values that we owe over there in Germany, to get rid of that position.

Mr. PETERSEN. That is correct.

Senator SALTONSTALL. So when you say our obligation today is zero, that is not so.

Mr. PETERSEN. I said our obligation is to redeem particular currency. Senator O'MAHONEY. I asked a particular question. I fixed a date. Of course, I recognize from the testimony of the witness that prior to the date on which the redemption and conversion was stopped there was an obligation and the witness has testified to the limited amount of that obligation, and to his opinion that that obligation will be completely liquidated without loss to the Government of the United States.

Senator SALTONSTALL. He hopes.

Senator O'MAHONEY. That is his opinion.

Senator SALTONSTALL. There are still \$100,000,000 unliquidated.

Mr. PETERSEN. That is correct.

Senator SALTONSTALL. So that the answer should be qualified.

Mr. PETERSEN. \$100,000,000 is the aggregate of the yen and marks; \$100,000,000, and \$60,000,000 for the yen.

Chairman BRIDGES. Senator Ferguson?

#### MILITARY PAYMENT CERTIFICATES

Senator FERGUSON. Let me put a hypothetical case to you. A man in our Army is paid in what money?

Mr. PETERSEN. Military payment certificates for the money which he uses locally. That is a dollar instrument.

Senator FERGUSON. Then we have abandoned the idea of these marks in payment to our men?

Mr. PETERSEN. We have abandoned the idea, did last year, of paying in local currency.

Senator FERGUSON. What was the reason for abandoning?

Mr. PETERSEN. One reason was to stop the conversion of military currencies in amounts in excess of the amounts appropriated by Congress. I go into those controls in my statement.

Senator FERGUSON. What fund did you use to pay these previous to this certificate idea? Was it money appropriated to pay the soldiers? And instead of paying them in dollars as they would have been paid here in camp, they were paid in the script, they were paid in the mark there, and they could walk into the office and receive dollars. Is that not correct?

Mr. PETERSEN. That is correct. I would rather have General Richards describe the system of advances whereby we got the funds to effect those conversions.

#### CONTINUED PRINTING OF AMM NOTES

Senator FERGUSON. Do I understand we have abandoned the idea of using these marks and we are not printing any more marks?

Mr. PETERSEN. We are not printing any more marks.

Senator FERGUSON. When did we stop printing these marks?

Mr. PETERSEN. I know when we stopped the use of them in Germany. It was September 1946.

Senator FERGUSON. Did we stop printing them at the same time?

Mr. PETERSEN. I do not know how many times we printed them.

Chairman BRIDGES. Senator Dworshak?

## INFLATION IN GERMANY

Senator DWORSHAK. Mr. Secretary, is it true that the tragic inflationary conditions in Germany have been greatly accentuated by this entire financial transaction?

Mr. PETERSEN. Senator, I do not believe that the total amount of Allied military marks issued by the four occupation powers has had a substantial effect on inflation there. The tremendous currency overhand which was created by the vastly inflated war economy of Germany, as such, I think almost a tenfold increase during the war in the amount of reichsmarks in circulation—although this does not help—I do not think had a substantial effect.

Senator DWORSHAK. But it did inflate the currency in circulation?

Mr. PETERSEN. That is correct.

Chairman BRIDGES. We will recess for 5 minutes so we can go in to the Senate Chamber and vote.

(Thereupon, a 5-minute recess was taken.)

Chairman BRIDGES. Come to order, please.

Mr. Petersen, will you proceed?

## RECEIPT OF ENGRAVING PLATES BY SOVIETS

Mr. PETERSEN. I had something additional to say, which I do not believe has been covered, on the Russian plates.

On April 18, 1944, the Soviet Ambassador was furnished with glass negatives and positives of plates for the use of the Soviet Government in printing of Allied military marks, together with technical information on aged paper and other elements in the printing procedure.

The only agreement or understanding reached between the United States Government, the British Government, and the Government of the Union of Soviet Socialist Republics was the general understanding that all three powers would use Allied military marks and no other currency as a supplement to the indigenous German-mark currency.

## CONTROL OVER OCCUPATION CURRENCY

Senator KNOWLAND. It seems to me that when we surrendered the plates to the Russians we lost all possibility of any control as to the amount of Allied military marks that could be used in Germany. The British, we knew how much we turned over to them. We knew how much we turned over to the French. We knew how much we had ourselves. But when we turned over to the Russians we lost absolute control of even the knowledge of what they were issuing, and, in fact, we more or less gave a legal blessing to an organized looting of Germany because, if they can use these marks and they are legal tender—and a German does not have a choice as to whether he will accept it or not; he is required, under the military law, to accept them—we have given to the Russians a method of complete denuding not only the Russian zone and the British zone as well and for the purchase of supplies and for the purchase of commodities and probably even real estate as well. Is that not correct?

Mr. PETERSEN. Senator Knowland, the Russians could just as well have printed reichsmarks. Leipzig contains one of the German mints; that is in the Russian zone. They were the first in Berlin. Whether or not they obtained the reichmark plates, I do not know. I think

it was in their power to do the same thing with reichmarks rather than use Allied military marks.

Moreover, they could, as the occupying force, print marks of their own making or their own pattern.

True, they would not then be circulated in our zones, but as far as their own zone was concerned they had complete power to print as many either reichmarks or marks of their own pattern as they wished.

Senator KNOWLAND. But they could not loot the British and the American zone.

Mr. PETERSEN. I said that. What you say I think must be considered in that contrast.

Senator KNOWLAND. I think that is correct. And of course, as you pointed out, what you had hoped for was that the entire country, would be operated as an economic unit.

Mr. PETERSEN. That is right.

#### TWO ZONES IN GERMANY

Senator KNOWLAND. And that is what we are striving for. The condition, and not a theory, confronts us now and we do have it in effect in at least two zones in Germany.

Mr. PETERSEN. That is right.

#### EXCHANGING OF AMM NOTES FOR DOLLARS

Chairman BRIDGES. Mr. Petersen, along the line of Senator Knowland's question, you, as a matter of fact, regardless of the fact that you have stopped—you, the War Department, or we in this country—have stopped exchanging—my word was “redeeming”—these occupation marks; Russia continues to print and to pour into Germany occupation marks which the Germans are forced to accept as legal tender.

By our allowing it to be done we put ourselves at least behind that currency which is contributing to the inflation problem and the general economic problem of Germany. I think Senator Flanders well said to me, “It is the nub of the whole situation; because you are breaking down the entire economy of Germany in that manner. The Russians do not need reparations, or they do not need anything else, if they can just put this money into that economy and force the Germans to use it, particularly since there are no redemption features.

Mr. PETERSEN. I do not believe, Senator, that this event has had the disastrous consequences which you attribute to it. In the first place, I say that you must consider these Allied military marks in the contrast of the remarks I made to Senator Knowland about their ability to use reichmarks instead of Allied military marks, or marks of their own pattern which they could use in their own zone, in which latter case they could not use them in our zone.

Senator FLANDERS. Mr. Chairman?

Chairman BRIDGES. Senator Flanders.

#### DEPRECIATION OF OCCUPATION CURRENCY

Senator FLANDERS. I would like to ask the witness if the fact that this money is identical with the British and French and American zone money does not give it in the eyes of the Germans a higher value

and slower depreciation than it would otherwise have, so it is more acceptable than it would have been?

Mr. PETERSEN. It may Senator Flanders. I cannot say that it is not.

Senator FLANDERS. It seems to me that we are giving present purchasing value to that money which is later going to be empty of any value whatsoever.

Mr. PETERSEN. Of course, I do not know what our increase in circulation of currency was in this country during the war, but it was tremendous. I think it was about four times. The German increase in circulation during their war effort was of even greater magnitude.

Currency today in Germany has little or no value because there are no consumer goods to purchase. We could argue a long time as to the extent to which this additional accretion of military marks has affected the inflation situation in Germany today. In my own judgment it has not had a substantial effect on that situation.

Senator FLANDERS. You are hopeful of the future?

Mr. PETERSEN. I just returned from Germany, Senator Flanders, and it is a discouraging picture.

Senator FLANDERS. Would you not suspect that the Russians had reasons for not wanting to come to an agreement now?

Mr. PETERSEN. I assume always that the people have reasons for what they do, or do not do. But I would not attribute this as one of the reasons.

Senator FLANDERS. I am afraid I would.

Mr. PETERSEN. There we differ sir.

#### PRISONER OF WAR PAYMENTS

Chairman BRIDGES. One other thing, Mr. Petersen. Under the Geneva Conference, when we paid the prisoners of war we had a certain obligation to pay them. Instead of paying them in American dollars we paid them in this occupation currency. When we did that, did we not morally place our Government behind it and stamp our seal of approval on it?

Mr. PETERSEN. All I can do, Senator, on that, is to repeat what I said before, that there was, and there is, no obligation on the part of the United States and the other occupying powers to redeem Allied military marks. And that there has been a quadripartite agreement arrived at in the fall of 1945, by the Allied Control Council in Berlin which provides the assurance that the German Government would be responsible for and would redeem this currency.

I might point out further that a provision can be made in the treaty of peace to provide for the redemption of any of this currency still held by us although we do not intend to have any by that time but that provision could be made and that would formalize on the part of a responsible German Government which entered into a treaty of peace, the action which has been taken by the quadripartite authority in September 1945, which says that the German Government shall assume occupation costs and these obligations included in the Allied military currency.

## RATE OF PAY FOR PRISONERS OF WAR

Senator KNOWLAND. Take the case of the German PW's. They were paid under the Geneva Convention, the treaty obligations that we had were at what—90 cents a day?

Mr. PETERSEN. I think it was 80 cents a day.

Senator KNOWLAND. We fixed the redemption value of the mark at 10 cents.

Mr. PETERSEN. 1 to 10, yes.

Senator KNOWLAND. That means that they would get 8 marks.

Mr. PETERSEN. For each day's work; 8 marks.

Senator KNOWLAND. That is right. To that extent we have assumed, have we not, a moral obligation, at least until those marks are spent, that there will not be a depreciation of the currency, otherwise instead of paying them 80 cents a day we may, in fact, only have been paying them 10 cents a day if you permit a depreciation of the currency.

Mr. PETERSEN. I do not believe we have that moral obligation, Senator Knowland. To my mind we discharged our obligation in paying them in mark currency at the current rates and seeing to it—which was the case—that that mark currency is legal tender in the German economy, which it was.

Chairman BRIDGES. Do you contend then that the United States or any country is not under obligation to pay them in our legal tender?

Mr. PETERSEN. That is correct. We have legal opinions to bulwark that decision.

When you contrast the treatment accorded by the Germans to our prisoners of war and other Allied Powers, to the way we treated German prisoners of war, saved them from the bullets, we fed them well, treated them well, they were well housed, I think we discharged all our obligations to the German prisoners of war in the payment of these marks.

Senator MORSE. May I ask a question?

Chairman BRIDGES. Senator Morse.

Senator MORSE. On what basis were we obligated to pay them something?

Mr. PETERSEN. By our decision to observe the Geneva Convention, to which we were signatory.

## GENEVA CONVENTION PROVISIONS ON PRISONERS OF WAR

Senator MORSE. What is the provision of the Geneva Convention in regard to payment?

Mr. PETERSEN. I cannot answer that. It has an amount which you are required to pay a man who works. It has some relation to the amount of pay he receives in his own army.

It is 10 cents a day if they do not work and it works out for the German 80 cents a day if he does work.

Senator MORSE. That particular provision of the convention is based upon an assumption, is it not, that what you pay him will have value? You could not just hand him pieces of cardboard, could you?

Mr. PETERSEN. No. But these marks are not valueless. There is no foreign exchange rate established in respect to the mark. We do have our conversion rate which is 1 to 10 and that was the basis on which they were paid.

Senator MORSE. But if the understanding was that when we made these payments that they were to be paid at the value of 80 cents a day, then is there not a moral obligation that the final value that German prisoners get will be the equivalent of 80 American cents not 80 American cents minus a certain amount that may be the result now of a costly mistake that was made in permitting Russia to flood Germany with great quantities of German marks, military marks?

Mr. PETERSEN. We paid the prisoners of war at the same rate in marks that we pay our own soldier when our own soldier takes a military-payment certificate, which is a dollar instrument, and goes to the finance officer and asks for marks, which he does for expenditures such as going to the theater, travel on local trains, and busses, and cab service, which is another method which is being employed in liquidating these marks.

Senator MORSE. Maybe I misunderstood you. That would not be the case if now we transfer these payments into German marks as far as the German prisoners are concerned, after we have put into effect the type of regulation that I understood you to suggest, namely, a regulation which will result in that mark being worth less than 10 cents.

Mr. PETERSEN. I can assure you that the encashment of the prisoner-of-war obligations will be consummated long before we will have been able to effect a currency devaluation.

#### LOOTING OF GERMANY THROUGH OCCUPATION CURRENCY

Senator MORSE. I would like to say, Mr. Chairman, that I am surprised that there is any property left in Germany, real or personal, corporeal or incorporeal if the Germans could possibly get possession of it, if they have the means of manufacturing the money with which to buy it.

Chairman BRIDGES. As Senator Flanders said earlier, I think the effect of the whole situation is that we have ultimately stopped exchanging this money. In order to liquidate part of it, we took advantage of paying the German prisoners of war in some of the money that we have accumulated. But in spite of the fact that no longer do we exchange it ourselves, we have paid them that currency, and the only value of a mark, or anything else, is the ability to exchange it for something else.

So with Russia still having the plates, still printing the currency, pouring it into Germany for anything that they want to buy, I do not see that Russia needs any reparations from Germany. All the Russians do is print money and we collaborate in enforcing the Germans to take it for anything they purchase.

In other words, the economic situation and the fiscal situation is being accentuated day after day by the Russians continuing to do this and we are continuing to acquiesce in people being subjected to that circumstance.

Mr. PETERSEN. Senator Bridges, we have no knowledge that they are continuing to do it. On the other hand we have no knowledge that they are not.

Chairman BRIDGES. You guess that they would.

#### PAYMENT OF PRISONERS OF WAR

Senator CORDON. Mr. Chairman, I am in a little different vein in this picture. The witness testified, under the Hague agreement, we are obligated to pay our prisoners of war for the time that they labor, civilian work, in the country.

Mr. PETERSEN. Eighty cents a day.

Senator CORDON. Does the Hague covenant contemplate that we can discharge that obligation by paying in worthless paper?

Mr. PETERSEN. Senator Morse and I discussed this just before you came in, Senator, and I said the paper was not worthless; it was not valueless. We use the same conversion rate, 10 marks \$1 of obligation, that we use with respect to our own soldier when he cashes in a military-payment certificate and asks for marks which he can spend on transportation, busses, or cabs or theaters.

We have legal opinions which I would be glad to submit for the record saying, by the State Department, War Department, and Treasury Department, that all three departments agree we could discharge this obligation by payment in marks at the going conversion rates, there being no rate of exchange.

#### CONVERSION RATE FOR MILITARY MARKS

Senator FLANDERS. Your conversion rate at the present time is a dollars to marks conversion and not marks to dollars.

Mr. PETERSEN. That is correct. That is true as to reichsmarks, allied military marks, all marks.

Chairman BRIDGES. In line with what Senator Cordon said here, what the War Department did, did it not, it used this method of paying German prisoners to get itself out of a hole and accumulated hundreds of millions of occupation marks?

Mr. PETERSEN. We paid them in marks which we would have paid them in any way. We had dollars back of those marks for this payment.

Senator CORDON. Did the German prisoner of war have any choice as to which he could receive?

Mr. PETERSEN. No, he did not.

Senator CORDON. Nor ever has had.

Mr. PETERSEN. Nor ever has had. I repeat that.

Chairman BRIDGES. Suppose that you had not these accumulated marks that we had accumulated, what would you have paid him in?

Mr. PETERSEN. Marks.

Chairman BRIDGES. Redeemable?

Mr. PETERSEN. Senator, there is no rate of exchange for the mark, at the present time. It just does not have any rate in relation to world currencies.

It is just like the Russian ruble. The Russian ruble is not worth anything outside Russia.

Chairman BRIDGES. It is valueless then, is it not?

Mr. PETERSEN. No. Because it buys goods in Germany.

Chairman BRIDGES. Because we force it to be bought. Is that not right?

#### REICHSMARKS AND AMM CURRENCY

Mr. PETERSEN. No. I would not say that. Reichsmarks and the allied military mark are interchangeable as legal tender. They are treated by the German people as one and the same instrument in the same denominations.

Chairman BRIDGES. Senator Morse?

#### PRICE FOR RUSSIA'S COOPERATION

Senator MORSE. I want to ask the Secretary this: As I listen to this testimony, Mr. Secretary, the realistic fact is that the turning over of these plates to Russia was one of the prices that we had to pay for Russia's cooperation as an ally, was it not?

Mr. PETERSEN. That is one way you can put it, Senator Morse.

Senator MORSE. They simply said, as I understood your testimony, that if we did not turn these plates over to them, they would have their own money in Germany and our Chief of Staff and the Joint Chiefs of Staff decided that that would not aid the most effective prosecution of the war. Is that not about it?

Mr. PETERSEN. It was decided that it was important to have one currency for all the Allies, both by way of showing that the objectives and actions of the Allies were unified and that there was a singleness of purpose and also because we contemplated that Germany would be treated as an economical whole, with free interchange of specie, people, communications, between the four zones.

#### ADVANTAGES TO RUSSIA

Senator MORSE. My next question is, on the basis of your study of this, is it your opinion that it has been of advantage to Russia in her transactions in Germany to be able to print these marks in whatever quantities that she wants to print them, knowing that as far as the German people are concerned there is a feeling on their part that the United States is going to back up this currency?

Mr. PETERSEN. I do not admit that feeling on the part of the Germans. I do not know of it. All I could say is that there has not been and there is not now, any obligation on our part to make these currencies good in terms of dollars.

#### MORAL OBLIGATION TO GERMAN PEOPLE

Senator MORSE. Would you be at all surprised that the German people feel that if we are parties to the issuance of currency in Germany, military currency in Germany—and we certainly are a party to it because we have released the plates that make possible the printing of the money, and with that money we seek to, and Great Britain seeks to, and Russia seeks to carry on commercial transactions with the individual German citizen—that being the trade practice that we are engaging in, that they would expect us to live up to a moral obligation to make good on that currency?

Mr. PETERSEN. It would not surprise me, if that answers your question.

Senator MORSE. It would be a pretty human reaction whether it was a German reaction or American reaction, it seems to me.

Senator CORDON. Was it not so intended? Was that not the purpose of the issuance of what to me is spurious currency, that the Germans should rely upon it? And did we not hold it out to them as such?

Mr. PETERSEN. Well, in all military operations, I mean, you must provide currency.

Senator CORDON. I understand that.

Mr. PETERSEN. It was done through all liberated areas and the occupied countries.

Senator CORDON. Did we hold it out to them as good currency?

Mr. PETERSEN. Certainly.

Senator CORDON. And induce them to rely on it?

Mr. PETERSEN. We said it was legal tender by virtue of military law and should pass at a rate interchangeable with their own reichsmarks.

Senator CORDON. In other words, we forced them to take it.

Mr. PETERSEN. We did not force them to take it. They were willing to take it. I am sure they had more credence in the allied military marks than the reichsmarks. After all, you had had vastly inflated war economy with this tremendous increase in currency in circulation. I do not know what the total is. I think the Treasury can give you those figures.

This, as I said to Senator Dworshak and Senator Flanders, was not a substantial appreciation of that inflationary situation that exists in Germany today.

#### TRANSFERS OF REAL OR PERSONAL PROPERTY IN OCCUPIED GERMANY

Senator FLANDERS. I would like to ask Mr. Petersen whether you have seen, or learned, of any evidences of any increased activities of transfer of real or personal property in the last few months?

Mr. PETERSEN. I do not have any evidence on that, Senator Flanders. Chairman BRIDGES. Senator Saltonstall?

#### NEW CURRENCY FOR AMERICAN AREA

Senator SALTONSTALL. Mr. Chairman, if these allied marks are transferable into reichsmarks, and we have no control of the printing of the allied marks, why is it not better, even if it may lead to a lack of unity, to establish a new currency in our section of the country as soon as possible?

I have in mind the tremendous inflation in Germany back in 1922 or thereabouts, when a man paid off his employees twice a day because the marks would deteriorate so rapidly.

Now, why is it not better to disassociate ourselves from this situation as soon as possible, even though it does lead to a split in the country, than to have ourselves morally responsible for a possible inflation that we cannot control?

Mr. PETERSEN. Senator Saltonstall, there are all the makings of a vast inflationary movement because of the complete paucity of consumer goods, because of the very rigid and very good price-control and price-administration system today.

There has not been a great increase in prices. German prices are fixed at the 1938 level. The goods that move through legal channels, that is the rationed goods, are sold at those prices. Outside of the rationed channels, and in black- or gray-market channels, for the most part there is a barter of goods rather than use of currency. When currency is used, of course, the price is very high.

The question of printing separate species for the United States and United Kingdom zones, means a break, a definite break, with the Russians and your purpose of trying to create one Germany rather than two. At some point you come to that decision.

Senator SALTONSTALL. I understand. There is a balance there.

Mr. PETERSEN. At some point you have to make that decision. It has not been made yet.

Senator SALTONSTALL. But you will agree with me that that decision has got to be made fairly soon unless we can get some control of the printing presses, otherwise it is grossly unfair to the average German citizen.

Mr. PETERSEN. Senator, I think I pointed this out before you came in. You have to view this allied military mark issue in the contrast of the fact that the Russians could have printed reichsmarks which would have circulated freely. They got Leipzig, which has the mint, Berlin, which has a big mint.. They could print a mark of their own pattern.

True, that mark could not circulate freely in our zone. But it could have been used by them as they use such devices in other countries. So I think you must consider allied military marks on that.

Chairman BRIDGES. Senator Morse?

Senator MORSE. I will yield to Senator Flanders.

#### TRANSFERS OF REAL OR PERSONAL PROPERTY IN OCCUPIED GERMANY

Senator FLANDERS. You stated a few minutes ago you have seen no evidence of any increased activity in the purchase of real or personal property with the military marks. Do you feel that that is something that needs watching? Is it being watched? Should it not be a matter of concern and continuous study on the part of the military government in Germany to make sure that that is not going on?

Mr. PETERSEN. I agree it should be and is a matter of concern.

You asked, initially, Senator Flanders, whether there was any evidence of increased activity over the last several months and I said I had no evidence. We have little or no evidence as to what transpires in the Russian zone at all.

I do not think there is any evidence to support the position that there is any acquisition of real estate in the other than the Russian zones. What happens there we do not know.

As to acquisitions of personal property there are very few Russians in the other three zones because there has been rather compartmentation there which does not permit easy ingress or egress.

Senator FLANDERS. Are there any restrictions to the acquiring of property by nominees or similar means?

Mr. PETERSEN. That is a technical question on property control that I am not able to answer off-hand.

Senator FLANDERS. It seems to me a serious question.

Mr. PETERSEN. Are there any military restrictions on the acquisition of property by nominees?

**TESTIMONY OF BRIG. GEN. G. L. EBERLE, CIVIL AFFAIRS DIVISION,  
WAR DEPARTMENT**

(The witness was duly sworn by Senator Bridges.)

General EBERLE. By people outside of Germany?

Senator FLANDERS. By Russians, for instance, through concealment of primary ownership of the property, acquiring it through complacent Germany.

Chairman BRIDGES. What is your full name?

General EBERLE. G. L. Eberle, brigadier general, Civil Affairs, War Department.

Obviously General Clay's headquarters is on the lookout for those things. Just what means he uses to prevent them I do not know. It is something that would have to be discovered, because obviously it is something that is trying to be concealed by the people.

Senator FLANDERS. It is incredible to me, Mr. Chairman, that the Russians should not take advantage of this opportunity. I just cannot conceive that they do not see that, and that they are not interested in it and not doing something about it.

Senator MORSE. Mr. Chairman?

Chairman BRIDGES. Senator Morse.

**TRANSFERS OF REAL AND PERSONAL PROPERTY IN GERMANY**

Mr. PETERSEN. I would like to supply that information to you from the property control section in Berlin, if I may.

(The information requested is as follows:)

Transactions of real or personal property nature are prohibited by Military Government Law No. 53, if they are known to be for accounts of other foreign owners.

Undoubtedly such transactions are engaged in, but they take the form, in most cases, of purchases of movable property which can be taken back to eastern zones and thence to USSR. The German system of real-estate registration and the reluctance of real-estate holders to part with their property, even at extremely high prices, tends to steer German nominees into personal property transactions.

Individual Germans acting as the front for other foreign powers can legally buy property for personal use, just as can United States personnel, however, real estate would not fall into category of personal use.

To the extent that transactions are secret through German nominees they cannot be measured or controlled except through normal police methods. Property movements between the eastern and western zones of Germany are subject to strict control.

**PRISONER-OF-WAR PAYMENTS**

Senator MORSE. I do not want to press the point beyond its merits, Mr. Secretary, but I am concerned about the two points I am now going to raise. First I am concerned about this prisoner pay. Look at the operation of it in this country. We took German prisoners and we put them into an American plant or out into an American farm and the American employer and the American taxpayer paid 80 cents of American money per day per prisoner, did he not?

Mr. PETERSEN. He paid more than that. The rate was the prevailing wage rate in the district.

Senator MORSE. Within whatever he paid was this 80 cents?

Mr. PETERSEN. That was a part of it, a very small part of it, depending on the price area.

Senator MORSE. He paid it into the American Government, the Government took that money from him, and in return it paid something to the German prisoner.

Now, what did it pay the German prisoner? It did not pay 80 cents, apparently, which is, I think, a very interesting type of taxation in this country. We put these people, these prisoners, on the American farms and in American plants and the American taxpayers pay a certain wage on the assumption and the understanding that the German prisoner was going to get 80 cents a day out of this. But he does not. A part of that the American Government confiscates and uses for the purpose that you now decide that you are going to use it for, in order to take care of these excess marks that you have got.

I raise the question there, both as to the moral question and the legal basis for it.

Mr. PETERSEN. Senator Morse, there is no difference in that than the Congress determining that the soldier should be paid \$50 a month. The soldier was permitted to determine how much of his pay was to go into war bonds, how much to save, how much to put into insurance, and how much to remit home, and the remaining amount, the amount to spend.

With respect to that, at the same rate of exchange, mind you, that we gave the prisoners of war the marks, we issued marks to our own soldiers for the expenditures in the local economy.

Senator MORSE. But we made good on those marks.

Mr. PETERSEN. They were turned in.

Senator MORSE. And these marks now that you are going to turn over for these German prisoners are not going to be—

Mr. PETERSEN. There is a difference—

Senator MORSE. Marks of full value, but they are going to be highly depreciated marks. But the money that the American employer paid for those services was at the rate of 100 cents to a dollar.

Now, some place in that transaction somebody has got the benefit of that transaction which did not accrue to those for whom the money was originally paid.

#### LOSS OF CONFIDENCE IN THE MARK

The second point that I want to raise: When I was over in Germany last year our Military Government officials were very much concerned about the fact that there apparently was some hoarding of foodstuffs on the part of the German farmers because of a loss of confidence in the mark. I remember I was over there at the time that General MacArthur, who was General Clay's predecessor, issued some sort of a statement about it, urging these German farmers to proceed to deliver their foodstuffs or we would take whatever action we could under the circumstances.

I mention that as a preface to this point that I want to make.

Here we are concerned about building up the German economy because unless we build it up there could be no peace in Europe. I think almost every one will agree on that. How can we possibly build it up when in the first place we do not permit these German prisoners who have earned hard American cents to have the advantage of it in Germany? Just imagine the amount of money that they would take

into Germany to build it up. How can we build it up when we adopt what looks to me—and I am going to listen to this testimony carefully—looks to me like a repudiation of something more than a moral obligation. How are we going to build it up as long as we have let an alleged ally proceed to flood Germany with additional marks that will only increase the fear of the German farmer that he is going to get nothing but paper if he turns foodstuffs in for it? I just think it is a vicious circle.

Mr. PETERSEN. I can only answer that as I tried to answer Senator Saltonstall, that we tried to effect a currency reform that was unsuccessful because of the failure to obtain an agreement with the Russians. There comes a point at which you must determine that you will go on your own.

Senator MORSE. I think it is going to be very helpful from that standpoint because it is going to give us additional proof that it is about time that we make perfectly clear to Russia that we are going on our own in Europe.

#### LEGAL OPINION ON PAYMENT OF PRISONERS OF WAR

Chairman BRIDGES. One other question. You referred to the legal opinion that you secured regarding the payment of these German prisoners. Who gave the legal opinion?

Mr. PETERSEN. I have not examined that. General Richards, can you answer that?

General RICHARDS. The Judge Advocate General of the Army.

Chairman BRIDGES. Did you consult the Justice Department?

General RICHARDS. We consulted the State Department and the Treasury Department.

Chairman BRIDGES. Not the Justice Department?

Senator CORDON. May I suggest that the several opinions be made a part of the record?

Chairman BRIDGES. Yes. Will you submit the opinions, the legal opinions, which were given you in connection for the record?

General RICHARDS. Yes.

Mr. PETERSEN. We will.

(The information requested is as follows:)

I should like to clarify for the record the process by which we pay off the accruals earned by former German prisoners of war.

I previously have made reference to the 10 marks equal 1 dollars relationship between the German mark and the United States dollar. It must be emphasized that this rate has been used only for American military purposes and does not represent an official governmental rate of exchange for international trade purposes. The 10-cent rate is a military rate and has been used, as I mentioned before, for the pay of troops when they formerly were paid in marks or for the exchange of the Soldiers' Military Payment Certificates into German marks which they might need for their normal expenditures in the German economy.

At the time when it was deemed advisable by the State, Treasury, and War Departments to commence repatriation of German prisoners of war and accordingly to make payment of the accruals earned by these prisoners during their internment in the United States or in prisoner of war camps overseas, the question naturally came up as to type of currency to be used in such payment and the rate at which such currency should be paid out, if it were decided that German marks should be used. The Judge Advocate General of the Army interpreted article 23, chapter 6, of the Geneva Convention as follows:

"Intention of this article is for prisoners of war not to suffer loss at end of their captivity by settlement of their accounts in a debased currency or upon an unfair basis. If conversion into their own currency gives prisoners of war the

equivalent purchasing power of their dollar balances, there will be substantial compliance with article 23. This means that current military rate of conversion will be used for encashment of military payment orders and certificates of credit issued to German prisoners of war. This rate of conversion will be the same for officers and enlisted men since the exchange provisions of article 23 deal only with the computation of officers' pay and not with the reconversion rate for repatriation."

In accordance with this opinion and with the concurrences of the State and Treasury Departments, a decision was reached in Washington that encashment of these accruals could be made at the troop pay rate, namely at the 10-cent rate. The theater commander was accordingly notified. The Commanding General, Office Military Government—United States in Berlin, however, repelled that redemption at the 10-cent rate would give ex-prisoners of war an unnecessary and undue purchasing power for purchasing rationed goods. He further announced at that time that the use of the 10-cent rate involves danger to the whole fiscal position in Germany for the following reasons:

(a) Maintenance of legal prices and legal wage scales in Germany, in face of existing inflationary factors, is one of the major problems which faces military government in Germany.

(b) Legal prices and legal wage scales in Germany reflect a value for the reichsmark closer to 40 cents than to 10 cents.

(c) Proposed action constitutes the purchase from Germans of a large amount of United States dollars at a reichsmark rate of 10 cents. Such action definitely extends the use of the 10-cent rate beyond the purposes for which it was instituted, and therefore suggests that the use of the 10-cent rate may be further extended to become an interim rate for other transactions.

(d) Such a suggestion of the establishment of the 10-cent rate for purposes other than purely military transactions can be interpreted as notice that we do not expect to be able to maintain the present German legal price and wage structure on anywhere near its present basis.

(e) The payment of a large number of reichsmarks would add to the inflationary threat in Germany.

In further consideration of the reasoning given this problem by the military government commander, the State, War, and Treasury Departments agreed that the encashment at a 40-cent rate would be in closer keeping with the provisions of article 23 of the Geneva Convention. Also there was no agreement made at the commencement of hostilities as to what rate should be used, and this was an approximate rate of exchange between the United States dollar and the reichsmark at the time hostilities commenced. Following a further discussion and study by theater officials, and especially in view of the fact that the British had already begun to make payments against sterling amounts at the rate of 15 marks equal 1 pound, a final decision was reached to make outpayments in terms of marks at a 30-cent interim rate. This rate, insofar as the German is concerned, has been used.

In disbursing marks to German prisoners of war at the 30-cent rate, strict accounting for United States funds was prescribed. The marks we have been and are paying to former German prisoners of war, as in the case of lire we have and are paying to former Italian prisoners of war, have been acquired with dollars and are dollar-backed.

The foregoing represents in part a correction of my previously given testimony.

#### MINUTES OF MEETINGS OF JOINT CHIEFS OF STAFF

**Senator MORSE.** I think one of the most helpful exhibits the Secretary has used this afternoon are the exhibits in the form of the minutes of your meetings with the Chief of Staff.

**Mr. PETERSEN.** Did you want those submitted for the record?

**Chairman BRIDGES.** Yes.

**Mr. PETERSEN.** They are all labeled "Top Secret" and I now de-classify them.

**Chairman BRIDGES.** Insert them in the record at this point.

(The documents are as follows:)

13  
O. C. A. C. Twenty-seventh Meeting  
April 4, 1944

Copy No. 21

## COMBINED CIVIL AFFAIRS COMMITTEE

*Minutes of meeting held in room 4 B-859, The Pentagon, on Saturday, April 1, 1944, at 11:30*

Members present: Mr. John J. McCloy (Chairman), Maj. Gen. J. H. Hilldring, Mr. James C. Dunn, Capt. H. L. Pence (U. S. Navy), Lt. Gen. G. N. Macready, Mr. A. D. Marris, Mr. William Hayter, Mr. William Hayter (representing Sir Ronald Campbell), Mr. F. E. Harmer.

Others present: Mr. Henry R. Labouisse, Jr., Col. William C. Chanler, Col. David Marcus, Col. George L. Webber (for item 9 only), Lt. (jg) T. Ross Cissel, Jr. (U. S. Naval Reserve), Mr. C. T. Crowe, Lt. Col. W. A. Howkins.

Secretariat: Wing Commander T. E. H. Birley, Maj. Warde M. Cameron, Maj. C. W. Garnett, Lt. J. D. Rockefeller 3d (U. S. Naval Reserve).

9. *Transfer of Allied Military Currency Printing Plates To Union of Soviet Socialist Republics (Combined Civilian Affairs Committee 81)*

Mr. McCloy stated that the Treasury had asked the Combined Chiefs of Staff whether the military situation was such that the Army could afford a delay of between 6 and 8 months in the printing of Allied mark currency ordered by the War Department. He stated that the Treasury had indicated that such a delay would result if the Treasury complied with the request of the Soviet Government that duplicate copies of the printing plates being used by the Treasury be made available to the Soviet Government.

General MACREADY pointed out that the British Government did not favor the production of two sets of notes from the same plates, as it was inevitable that they would be, to a certain extent, dissimilar. The result might be that the whole issue would be discredited.

Colonel WEBBER stated that the Treasury had ordered a sufficient number of notes to cover the needs of the Soviet Government as well as the United States and the United Kingdom. He pointed out that the notes could be made available to the Soviets as quickly on this basis as if they were to print them themselves, using duplicate copies of the United States plates.

Mr. DUNN said that the Soviet Government had already been informed that the United States would be glad to produce the mark currency for them, but that the Soviets had stated that they preferred to print it themselves as they would have greater assurance of a constant supply being available for the use of their army.

Mr. McCloy stated that he felt the question was primarily a diplomatic one. He suggested that it be discussed again with the Treasury Department before a decision was reached by the Committee.

The COMMITTEE took note of the discussion and agreed that the United States members should consult further with the United States Treasury Department before any final decision was reached by the Committee.

THE COMBINED CHIEFS OF STAFF,  
Washington, April 13, 1944.

The honorable the SECRETARY OF THE TREASURY,  
Washington, D. C.

MY DEAR MR. SECRETARY: The issue raised in your letter of March 22, 1944, with reference to furnishing the Soviet Government with duplicate plates for Allied military mark currency has been considered by the Combined Chiefs of Staff.

It is the opinion of the Combined Chiefs of Staff that present commitments of furnishing Allied military marks to the Supreme Commander, Allied Expeditionary Force, should be met. It is understood that under present schedules these commitments will be fulfilled by May 1, 1944. If the United States Treasury and the State Department, in conjunction with the Foreign Office and British Treasury, decide to furnish duplicate plates to the Soviet Government, it appears that this action could be taken any time after May 1, 1944, without interference with General Eisenhower's requirements for Allied military mark currency.

If the Soviet Government desires to use Allied military marks printed in the United States to meet its need prior to the availability of such currency printed

by them, it is suggested that the Soviet Government be informed that here will be made available a percentage of the United States current production of Allied military marks commencing April 15, up to a face value of approximately 2,000,000,000 Allied military marks.

Sincerely yours,

For the Combined Chiefs of Staff:

Chief of Staff, United States Army.

Copies to—

A. C. S., OPD.

Alde to Cominch.

Combined Civil Affairs Committee.

(C. O. S. 525/1.)

Copy No. 21

C. C. A. C. Twenty-eighth Meeting  
April 15, 1944

### COMBINED CIVIL AFFAIRS COMMITTEE

*Minutes of Meeting held in Room 4E-859,  
The Pentagon, on Thursday, April 13, 1944, at 1645*

Members present: Mr. James C. Dunn (Acting Chairman), Capt. H. L. Pence (U. S. Navy), Col. William C. Chanler (representing Maj. Gen. J. H. Hildring), Lt. Gen. G. N. Macready, Mr. A. D. Marris, Mr. William Hayter (representing Sir Ronald Campbell), Mr. F. E. Harmer.

Others presents: Mr. Lauchlin Currie, Mr. W. H. Taylor, Mr. Henry R. Labouisse, Jr., Col. David Marcus, Col. H. E. Rounds, Mr. Lehman C. Aarons, Maj. Charles O. Hilliard, Lt. (jg) T. Ross Cissel, Jr. (U. S. Naval Reserve), Mr. C. T. Crowe, Col. W. A. Howkins, Col. J. Megaw.

Secretariat: Group Capt. T. E. H. Birley, Maj. Wared M. Cameron, Maj. C. W. Garnett, Lt. J. D. Rockefeller 3d (U. S. Naval Reserve).

#### 1. Transfer of Allied Military Mark Currency Printing Plates to Union of Soviet Socialist Republics (Combined Civil Affairs Committee 81/1)

General MACREADY stated that the proposed letter from Admiral Leahy to the Secretary of the Treasury had been cleared by the Combined Chiefs of Staff. He remarked that the action taken took the matter out of the hands of the military and returned it to the State Department, the Foreign Office, and the two Treasuries, where he felt that it rightfully belonged since the considerations were political and technical.

In reply to a question from Mr. Hayter, Mr. TAYLOR said that it did not look as if the Soviet Government would accept military mark currency printed in the United States in lieu of the plates themselves. He felt that the question in the Soviets' minds was, would we or would we not make the plates available. He further stated that to date there was no indication that the Soviet Government was proceeding with the production of military marks on their own initiative.

Mr. DUNN stated that he thought the Soviet Government would be glad to have not only the plates but a certain amount of mark currency printed in this country. He suggested that if a billion or two marks were made available in the near future it might be desirable in view of the delay in replying to the Soviets' request.

Mr. HARMER pointed out that the British had favored all of the mark currency for Soviet use being printed in the United States from the existing plates. He said that as yet no final word had been received from London concerning the alternative possibilities: the production of duplicate plates for use in the Union of Soviet Socialist Republics and the production by the Soviet Government of their own mark currency from plates to be designed and made by them. Mr. HARMER stated that London was concerned about the Soviets using duplicates of the United States plates as it was considered impossible to make identical notes in such circumstances.

Mr. DUNN stated that he hoped the British would expedite London's comments since, if no reply was sent to the Soviets in the near future, they would undoubtedly start producing their own notes.

The COMMITTEE took note of the discussion.

#### CONVERSION OF MARKS FOR PRISONERS OF WAR

Chairman BRIDGES. I would like to ask you a further question in connection with this.

Have we redeemed or exchanged for American dollars any of these occupation marks that have been paid to German prisoners of war?

Mr. PETERSEN. I am sorry. I was not listening.

Chairman BRIDGES. Of the \$160,000,000 worth of marks, occupation marks or the equivalent in marks to that amount, which we have been talking about, which were paid to German war prisoners, have we redeemed any of those in American dollars?

Mr. PETERSEN. We have not. The prisoner-of-war encashment started after the date on which we started the foreign military payment certificates.

Chairman BRIDGES. Which ties in to Senator Morse's question. We have not redeemed them, nor are they redeemable.

Mr. PETERSEN. That is correct.

Chairman BRIDGES. Senator McKellar?

#### REDEMPTION OF MARKS

Senator McKELLAR. Has Germany, or any other country, an immediate demand upon us for redeeming these marks?

Mr. PETERSEN. No, sir.

Senator McKELLAR. How does the matter arise?

Mr. PETERSEN. The question of redemption of these marks?

Senator McKELLAR. Yes.

Mr. PETERSEN. It has not arisen because it is all within our unilateral action.

Senator McKELLAR. It has been discussed here for about an hour or more. I was just wondering what brings it up at this time. Germany, of course, is hardly in a position to make a claim yet, but has Russia made any claim?

Mr. PETERSEN. They have not.

Senator McKELLAR. No one else has made a claim? No other nation has made a claim?

Mr. PETERSEN. They have not.

Senator McKELLAR. Your idea about it is that we are under no obligation, and you have been advised that we are under no obligation to make good this currency that was issued by Russia for some reason on our behalf? We are to give Russia the authority to issue currency on behalf of the United States.

Mr. PETERSEN. This is not United States currency.

Senator McKELLAR. It was not a question of authority; it was a question of putting in their hands the power to issue the same currency that we do by the transfer of these plates.

Senator McKELLAR. What United States officer had the power or assumed the power to give Russia the right to issue currency in Ger-

many that the United States might be under some kind of obligation to redeem?

Mr. PETERSEN. I denied, Senator McKellar, that there was any obligation on the part of the United States to redeem that.

Senator McKELLAR. What officer gave it—

Mr. PETERSEN. I said that I did not know and that it was not a matter done in the War Department. You will have to look to the State and Treasury to answer that question.

Senator CORDON. Mr. Chairman?

Chairman BRIDGES. Senator Cordon.

Senator CORDON. Mr. Secretary, when this matter was under consideration in the first place, as a part of the consummation of the complete invasion plan by the three major allies, was there any agreement among the three with reference to the conversion or exchange—

Mr. PETERSEN. There was not.

Senator CORDON. Pardon me just a minute.

Of this paper money, invasion currency, with respect to the portion of the currency, at least, used by each of the Allied governments in lieu of its own currency?

Mr. PETERSEN. No, sir. The only agreement was that they would use Allied military marks and no other currency as a supplement to their indigenous German mark currency. That was the only agreement on this matter.

Senator CORDON. The effect of the use of such currency by one of the Allies, notably Russia, in the payment of her troops—and I have at least read the statement that she paid her troops for several months back at times, with that currency, in back due wages—was to require the citizenry with whom the Russian soldier might do business, to themselves pay the Army's wages because the money was of no value otherwise.

#### RUSSIAN ASSESSMENT AGAINST GERMAN ECONOMY

Mr. PETERSEN. I do not agree the money was of no value. The payment with military marks without anything to back it on the part of the Russians or in exchanging for rubles, had the effect of assessing a cost against the German economy.

Senator CORDON. Yes. It assessed that amount of the expenses that otherwise would have been borne by Russia upon the conquered people.

Mr. PETERSEN. But on the other hand I want to point out it was agreed by the Four Powers that occupation costs shall be assessed against Germany.

Senator CORDON. But on the other hand, in the case of our issuing of the same type of currency to our soldiers, we were compelled—and I think you will agree we had a legal obligation—to convert, at the desire of that soldier, that currency back into United States dollars which the Congress required that we pay him for his services.

Mr. PETERSEN. That was our policy which we unilaterally determined upon to make these conversions to assure the soldier that he had a fixed rate of exchange which he could transfer into dollars or into another currency.

Senator CORDON. With the net result that we carried the costs of our segment of the burden with United States dollars at least one of

our allies has carried the cost by placing it on the shoulders of a conquered people. Is that right?

Mr. PETERSEN. No; I don't think that is correct, Senator.

Senator CORDON. We did not pay any money. She simply runs it through our printing presses, using our paper and our ink.

Mr. PETERSEN. We have not paid the German Government any money, either.

Senator CORDON. Pardon?

Mr. PETERSEN. We have not paid the German Government any money, either, for the Allied military marks that circulate in the military economy.

Senator CORDON. We paid our soldiers?

Mr. PETERSEN. Yes; we paid the soldiers whole. That is correct.

Chairman BRIDGES. The Russians paid the soldiers off the conquered people, did they not?

Mr. PETERSEN. As far as I know, sir.

Chairman BRIDGES. Because they paid their soldiers at least in part in these occupation marks which were printed on American presses and—

Mr. PETERSEN. Not on American presses. With American plates.

Chairman BRIDGES. With American plates, rather. And they failed to redeem any in rubles and we did redeem all of ours, or exchange, if you prefer the word, in American dollars.

#### INDUCEMENTS TO RUSSIAN SOLDIERS

Senator CORDON. Mr. Secretary, did that not necessarily have the effect of inducing the soldiers of the Russian Army who knew that the paper they received for their wages was worthless in Russia, to seek any avenue that was available to them to get things for currency worthless in Russia and so add to our load?

Mr. PETERSEN. That is a very major factor, Senator, and that is a matter which I touch upon a little bit later and I have not too much more.

Senator CORDON. Pardon me. I thought you had finished your statement.

Mr. PETERSEN. I got stopped on the Russian plates, Senator.

Chairman BRIDGES. Go ahead, Mr. Secretary.

Mr. PETERSEN. May I leave the Russian plates momentarily?

Chairman BRIDGES. Yes, sir.

#### THE BLACK MARKET IN GERMANY

Mr. PETERSEN. I want to talk about the black market.

United States troops, in the main, were stationed in overseas areas where the local economy was severely damaged by the war. This damage resulted in placing vast quantities of local cash currency in the hands of the local population with virtually no goods and commodities available at wholesale or retail levels. Consequently, the temptation to sell post exchange articles and items of individual equipment was great; money meant little or nothing to the native population; cigarettes, candy, soap, and ordinary personal items of comfort claimed high prices. The American soldier stationed abroad quickly found that his personal equipment, many

post exchange items and goods sent to him from the United States were more useful as a medium of exchange than the local currencies themselves. Moreover, many members of the Military Establishment found that this extra-legal trading of goods with local citizens or members of other armed forces and the subsequent conversion of local currencies back into dollars at Army post offices and finance offices provided handsome profits.

I will give two common illustrations of the manner in which these accumulations accrued. An American soldier sold an article from the PX or an item of personal or governmental equipment to members of other allied forces for allied military marks at a considerable profit and converted the marks excess to his personal needs into dollars for purchase of war bonds or deposit in savings account or remittance home. Another typical transaction would be one in which a civilian employee who might be a native of a liberated country and who was authorized to make purchases in the PX or quartermaster commissary, made such purchases within the ration limits imposed, and the PX or the quartermaster converted the foreign currency so received into dollars through the Army finance offices.

**Administration of controls:** The difficulties of imposing effective, individual administrative controls strictly limiting the reconversion of local currency to the amount acquired by each man through authorized channels were very great. There were approximately  $8\frac{1}{2}$  million men in the European and Mediterranean theaters, spread over more than 15 countries and utilizing as many different currencies. There were almost 1,000,000 men in Japan and the Far East. During this period there were over 40 different currencies which were eligible for conversion at armed forces finance offices at specified rates.

At an early date the accumulation of foreign currencies in Army accounts was a problem which received serious attention. The foreign currency controls in effect at the beginning of the war worked very satisfactorily for a period of almost 2 years. Throughout the North African campaign and the subsequent Sicilian and Italian campaigns excess remittances were practically nonexistent. This was no doubt due in part, and in large part, to the fact that there was a greater quantity of goods which could be purchased by the soldier for his use and the prices for such goods were reasonable. The soldier accordingly spent his money and did not engage in extensive barter transactions. With the invasion of northwest Europe a quite different situation was presented. There was a great scarcity of consumer goods, a great abundance of local currency in the hands of the civilian population and a great demand for goods which the soldiers could obtain from Army sources. Even so, it was not until troops had obtained a more or less static position following VE-day that the accumulations of excess holdings of foreign currencies took on serious proportions. When it started, however, it snowballed. Troops with large accumulations of pay earned during periods of heavy fighting for the first time had a real opportunity to spend their money. Then they found in the occupied areas particularly that they were unable to obtain desirable goods for their money. Thus in many cases resort was had to barter transactions with the soldiers obtaining foreign currencies instead of goods which currencies were converted to dollars and remitted home or put in the form of savings or war bonds.

As long as foreign currency was converted into dollars the only truly effective control had to be based on control over the individual's transactions in such foreign currencies. With the large numbers of personnel engaged in these operations (over 3½ million in Europe and the Mediterranean theaters), and with the mobility of units that went with active operations, it was not administratively feasible to effect precise administrative controls over individuals. Accordingly, at the outset the controls were of a quantitative nature and they became successively more refined and more stringent in respect of the individual as rapidly as the military situation and the personnel available to administer such controls permitted.

The controls exercised through the early redeployment period were of this nature: Each remittance made by, or conversion made for, military personnel was scrutinized by unit commanders or unit personnel officers. Unusually large amounts were investigated prior to allowing them to be converted into United States dollar instruments. Many such conversions were denied, and in certain cases the individuals were prosecuted where there was evidence that the currency had been obtained in black market transactions or illegally.

Redeployment and demobilization: During fiscal year 1946 in the European and Mediterranean theaters, and from August 15, 1945, to June 30, 1946 in the Pacific theater, the Army and Navy passed through the redeployment and demobilization phase of World War II. At the termination of hostilities in Europe, troop redeployment began from the European and Mediterranean theaters to the Pacific. Some was direct and some was by staging through the United States. Later, troops were returned to the United States from all over the world. Currency-wise, this involved redemption—I have the wrong word in here, Senator—conversion of foreign currencies held by our soldiers in one area for dollars or dollar instruments or exchange into foreign currencies of another country or area. Millions of dollars worth of foreign currencies were so converted, with the result that large quantities of foreign currencies were accumulated by the Army from its personnel as well as other authorized civilians and attached allied military personnel, and from other sources.

I would like to say here there were as many as 300,000 authorized personnel who were entitled to the Army's banking service, PX and commissary privileges, disbursements to whom were not reflected in Army accounts, nor were they under Army control, but for whom the Army acted as the banker in the field, and for whom the Army provided PX, QM commissary sales, and similar services. This factor of authorized but not military personnel alone accounted for a very substantial accumulation of the foreign currencies we are here considering.

"Authorized" personnel leaving the theaters presented for reconversion all of the foreign currency held by them at that time. The amounts presented for exchange represented in many instances, accumulations of many months pay and allowances. On a quantitative basis, large amounts were to be expected, due to the fact that soldiers leaving the theaters were turning in their holdings prior to their return to the United States. No means existed of distinguishing currency properly acquired from that illegally acquired.

When the unusually large accumulations were noted, the European theater commander effected a more stringent control than he had pre-

viously placed in effect. The new revised controls applied to all Army and Navy personnel and to all civilian personnel in and under the Military Establishment. These controls prohibited any individual from transmitting funds to any point outside the theater in a single calendar month in any amount equal to or amounts aggregating a sum in excess of the sender's unencumbered pay plus 10 percent.

Senator CORDON. Why could not that have been done in the first place?

Mr. PETERSEN. That was done very early, Senator Cordon. I do not have the date on that. As I said, during the first 2 years, in North Africa, and in Sicily and Italy, there were no excess remittances. You say why was not that done in the first place? If you will stay with me just a minute I will tell you that that was not very effective.

Such controls added to the already overburdened administration of units overseas, and they were effected only after full deliberation and consideration by the authorities. However, the rapid and full scale redeployment gave ample opportunity for clerical mistakes, negligence, and willful fraud.

Inexperienced fiscal replacements from the United States were not equipped readily to search for and detect loopholes in the existing currency exchange controls.

#### THE CURRENCY EXCHANGE CONTROL BOOK

The "Currency Exchange Control Book," which was the next form of control which was tried: The European theater commanders continued strenuous study on the problem and in November 1945 placed "Currency exchange control books" into effect in the European theater. That meant that each of these 3½ million men had a currency control book in which entries were made.

A similar procedure was effected in February 1946 in the Mediterranean areas. The pay and allowances drawn by individuals overseas were recorded in this book. As foreign currency was used, deductions were made in the book. The principle applied in this type of control limited the amount of foreign currency any one person could convert into dollars to the amount he had originally received as pay and allowances from the Army. Although not perfect, this method served to reduce the accumulation of currencies.

The military payment certificate: As a final control measure, the military payment certificate was introduced in Japan in July 1946. It was instituted in September of 1946 in Europe, the delay there being occasioned by the time it took to print the necessary currency. General MacArthur had what we called type A and B currency which was never used. It was already printed. When the decision was made the plan went into effect very promptly in Japan.

The military payment certificate is a medium, denominated in dollars, for use within the military establishment only. Its introduction was preceded by intensive study on the part of all four departments, since the concept was entirely new. With such adoption, the armed services no longer permit the conversion of foreign currencies by their disbursing officers and no further acquisitions of foreign currencies are made.

## WAR DEPARTMENT POSITION TODAY

Our position today: As a result of these financial operations in some 75 different foreign currencies throughout the world, and in transactions which aggregate some 11 billion dollars, the Army and Navy found themselves, following the combat and redeployment phases of World War II, with the long positions in foreign currencies which I have mentioned. Through financial settlements already completed, or presently in the process of completion with certain of the liberated countries involved, the United States armed forces have been reimbursed for the full dollar equivalent of their foreign currencies held in our official accounts. In the case of Germany and Japan, where there is no government which can reimburse us for the currencies we hold, we are disposing of the currencies through normal legal expenditures by official and quasi-official American agencies, such as Red Cross and other such agencies, and through the normal expenditures of American individuals presently in these countries. The present calculation by the War and Navy Departments, although at this stage an estimate, is that we will have disposed of our holdings of German marks and Japanese yen, which show a total debit balance of approximately 160 million dollars, by the end of 1948.

Senator CORDON. By which time we will have lost how much by the operation?

Mr. PETERSEN. As I said earlier we are not going to ask Congress for an appropriation. We are expending, or making expenditures out of these long positions for purposes which are authorized purposes, for which dollars would otherwise have had to have been appropriated.

Senator CORDON. You mean there would have had to have been dollars appropriated to pay our GI's 10 or 12 or 15 times their subsistence when they were able to go out and pull a nice market deal in foreign currency and come in and cash it? Was that contemplated in any appropriation?

Mr. PETERSEN. It was not.

Senator CORDON. We paid it, did we not?

Mr. PETERSEN. We paid it. That is what I said in my statement. Now we are going to use the currency which we accumulated by that means for our regular expenditures in these areas.

Chairman BRIDGES. Senator McKellar?

## CIRCULATION OF RUSSIAN-ISSUED CURRENCY

Senator McKELLAR. I have to go, and I want to ask him one question. Is this currency that Russia seems apparently to have issued in our name, is that circulating all over the Russian part of Germany that is under Russian control?

Mr. PETERSEN. It would circulate in all parts of Russia.

Senator McKELLAR. It circulates in all parts of Germany?

Mr. PETERSEN. It would circulate, Senator McKellar, much more in the Russian part because it is only on the border points it can get into our zone.

Senator McKELLAR. That is the only cooperation that Russia has given us in that province which she has control of,

I have never heard of her cooperating with the United States in the control of her portion of Germany in any other sense. Have you ever heard of her cooperating?

Mr. PETERSEN. No comment I could make would add anything to what you have just said, Senator.

Senator McKELLAR. That is all I wanted to know.

#### GI PROFITS

Senator CORDON. I am curious about this. Is this a proper summation of your statements here, that the GI, undeniably, in his transactions in foreign countries, came out with a very considerable profit, as you say, running into the millions? He made a profit. The Government of the United States, by virtue of the type of transaction that it is going to go forward with now, with the marks which it converted, from the GI, is not going to sustain a loss, and the money is just as good to the Germans as it was before. I just wonder where we are going to get that balance to offset the GI loss.

General RICHARDS. From the Germans.

Senator CORDON. That is what I thought.

Mr. PETERSEN. Here is our military payment certificate.

#### DELAY IN ESTABLISHING EFFECTIVE CONTROLS

Chairman BRIDGES. Mr. Secretary, a few questions. When this excess currency was piling up, when this burden was up here, why did not the War Department or the people in charge act sooner? I mean by that, the people over there in charge of the situation were aware of the fact, and aware of the situation. Why was there a great delay in putting in stricter controls?

Mr. PETERSEN. Senator, the full force of this came late, and in tremendous volume, and it was quite contrary to the 2 years' experience before we went into northwest Europe. There were very considerable administrative difficulties by way of effecting changes, particularly during your combat phases and in the phases through, say, the end of 1946, or up to VJ-day when we were engaged first in redeployment and after that this vast and varied demobilization job. Units were moving. There were great numbers of personnel in the theaters. The administrative difficulties were difficult.

Chairman BRIDGES. Was it true that certain officials in the War Department on this side warned General Smith, General Lee, and General Cobbs, perhaps General Eisenhower, too, about this condition, and there was a failure over there to act?

Mr. PETERSEN. I have no knowledge of that, Senator Bridges. As I said, I was not in this business. In preparing this statement, in which I spent a considerable amount of time, that was one matter I did not investigate.

Chairman BRIDGES. You could investigate and determine whether or not there were messages sent.

Mr. PETERSEN. I could; yes, sir.

Chairman BRIDGES. I have been told, as many other here have been told, very definitely, that there were specific messages sent across, and that finally it became necessary for General Marshall to send a personal order across to tighten up this situation.

Mr. PETERSEN. I have no doubt that the War Department, as it saw these reports of these mounting amounts, urged that more rigid controls be taken by the theater, which was the operating agent in these matters.

Chairman BRIDGES. General Richards, were you aware of those orders or warnings that went across from the War Department or War Department officials here?

General RICHARDS. Yes, sir. I do not know how many messages were sent across, but messages were sent across indicating that more money was being returned to the United States than was paid out, and asking them to enforce the controls which they were expected to enforce.

Chairman BRIDGES. Who sent the messages and to whom were they sent, General Richards?

General RICHARDS. One message was sent to General Cobbs, one message, I believe, was sent to the theater. I do not know if it was addressed to the commanding general personally. It was addressed to the commanding general of the theater, not to him personally, that I know of. There may have been one sent to him personally, but I do not know of it.

Chairman BRIDGES. Who were they signed by, here, General?

General RICHARDS. The one to General Cobbs was signed by myself. It was not in the form of a message signed by me; it was in the form of a teleconference between myself and General Cobbs.

Chairman BRIDGES. What did you say to General Cobbs, General Richards?

General RICHARDS. I indicated to General Cobbs that more stringent controls should be placed in effect by him over there.

Chairman BRIDGES. What was his reply?

General RICHARDS. The same words, practically, or the same thought was incorporated later in an official radio which went to the theater as a whole.

Chairman BRIDGES. What did General Cobbs reply?

General RICHARDS. I do not recall General Cobbs' reply specifically. I would be glad to look that up.

Chairman BRIDGES. Would you furnish us for the record copies of the messages that went from you or anyone else in the War Department to the theater commander, or General Cobbs, sounding the alarm on what was going on, and asking for stricter controls, and their replies, which would incorporate the dates, of course?

General RICHARDS. Yes, sir.

(The information appears in the appendix to this hearing.)

General RICHARDS. It is possible that other messages were sent out by myself. Those are the ones I have personal knowledge of.

Chairman BRIDGES. How did the final more strict controls come about? You sent these various messages. Did you have to go over the heads of these generals in order to get action?

General RICHARDS. The stricter controls were expected to be more stringent enforcement of rules already in effect—that they would scan more carefully the requests for conversion, that they would watch for foreign forgings of military payment—the control books—and similar administrative measures which would stop sending conversion of more marks than had been paid out.

Finally, it culminated in the decision, after consultation with the Judge Advocate General of the Army again, and with the Treasury and State Departments, the General Accounting Office, and the Bureau of the Budget, the senior chairmen and the senior minority members of both Appropriations Committees on both sides of the Capitol, that we would take the radical step, as we might put it, of issuing these military payment certificates, which is something that had never been done before, in which there was no reconversion.

That, of course, was quite a decided step, and the effect which it would have on the soldier was debated a good deal, both in the United States and abroad.

The conference was held in the spring of 1946, in which representatives of all the theaters were requested to meet in the War Department to discuss this whole matter.

As a result of that conference and consultations with their theater commanders after these representatives returned, and consultations which I have previously mentioned in Washington here, it was decided that a new and radical departure of military payment certificates had to be undertaken.

Chairman BRIDGES. General, was General Cobbs in immediate charge of this problem?

General RICHARDS. He was the fiscal director of the European theater.

Chairman BRIDGES. Therefore, he had the immediate problem in charge, and he did not act until he was warned by you and the War Department here?

General RICHARDS. I could not say that. I think he probably had been taking measures before I spoke to him to place on more and more stringent controls. I was just wanting to be sure to continue the process, so to speak, of placing these more stringent controls.

Chairman BRIDGES. It was under his immediate direction that this situation accumulated, which grew rapidly worse, and in which we acquired these hundreds and hundreds of millions of marks in exchange, and as far as you know he did nothing about it until he was warned.

General RICHARDS. No, sir; I could not say that, that he did nothing about it.

Chairman BRIDGES. It produced no results?

General RICHARDS. I would not say it did not produce any results. But we wanted more results than were apparent at that particular time. And I am not sure that General Cobbs was personally responsible because it is a rather large theater to administer, and General Cobbs was the fiscal director. But in addition to that there is a staff in the theater, and a chief of staff, and so forth, and commanders all the way down the line from whom he had to receive cooperation and support.

Chairman BRIDGES. Some of the people, I understand, who were reported to have been mixed up in this were General Lee, General Smith, and others. What relationship would they have to this in the field? Would they be superior to General Cobbs?

General RICHARDS. General Smith was General Eisenhower's chief of staff. General Lee at that time was in command of the SOS.

Chairman BRIDGES. It seems to me that if they had been sufficiently alert over there they would never have let this situation occur.

## ATTITUDE OF THE AMERICAN SOLDIER

General RICHARDS. There were several aspects over there with which they had to deal. In the first place, the American soldier had just finished fighting a war. He felt that he had fought that war for the purpose of saving democracy. Whether his thought was right or wrong—what I say that follows should not be construed—I just put myself in the position in which I understand he thought himself psychologically at that time—he said if he owned a watch in the European theater, he saw no reason why he could not sell it for a profit there, whereas if he were back in the United States he would be accorded the same privilege and make a profit out of it and utilize the funds to enhance himself.

He also saw some of our Russian friends who possibly had more funds to spend than he had. He also, in France, said he would get a square deal on the rate of exchange.

Senator MORSE. And adopted that same capitalistic principle in their transactions.

General RICHARDS. Right.

Chairman BRIDGES. You speak of soldiers, GI's. Officers were involved, too, were they not?

General RICHARDS. Yes, sir.

Chairman BRIDGES. In large amounts.

General RICHARDS. I am not in position to compare one with the other.

He felt that he in France, for example, was not getting a square deal on the rate of exchange and an effort was made to change the rates of exchange. In other words, due to the high prices and the fact that there were 50 francs to the dollar he felt that his dollar would not purchase what it should in France.

There was a scarcity of goods in France, true, but the soldier did not realize that. He saw he could not buy a bottle of champagne or a bottle of perfume at the rate he thought he could.

So negotiations were undertaken with the French Government in order to improve his position. The French Government concluded that it would do about three things: First, it would contribute 850 francs per month to enhance the pay of the soldier. It also indicated that it would improve his facilities for amusement, some of which the French Government subsidized.

So that under those conditions the French Government improved the soldier in France, to help him out.

In Germany he was getting 10 marks to the dollar. We had no way of increasing his pay. Congress came to his rescue on July 1, 1946, and paid him, the buck private, \$75 a month instead of \$50. All these things were in the minds of both the GI overseas and the officers who commanded him. Some of them did the very best they could. Others, perhaps, did not. But, at any rate, those things must be taken into consideration in judging what the controlling factors were and what they accomplished on the other side.

Mr. PETERSEN. Senator, Lieutenant General Truscott is here. He was one of our best troop commanders in the European theater during the war. If you would like, he could say a few words on the psychology of troops and officers on this whole question.

## ARMY POSTAL MONEY ORDERS

Chairman BRIDGES. We might like to hear him in a little while. I want to ask General Richards this: On the matter of receipts to this country in the form of postal money orders, how were they sent? Did the Army keep a record of the amounts that were returned here by officers and men, in excess of what their salaries would normally be? (The statement of General Truscott, subsequently furnished, is as follows:)

**STATEMENT OF LT. GEN. L. K. TRUSCOTT, JR., RELATIVE TO PSYCHOLOGICAL FACTORS INFLUENCING PARTICIPATION OF AMERICAN SOLDIERS IN CURRENCY TRANSACTIONS IN GERMANY AFTER VE-DAY**

1. American soldiers, no doubt, did participate in foreign currency, transactions that contributed to the so-called "long position" in marks, necessitating strict corrective and control measures. While these activities reached large proportions, certain psychological considerations contributed to the condition and increased difficulty in effecting control.

2. I was intimately associated with American soldiers, officers and men, throughout the war. I commanded a task force under General Patton in the initial landings in north Africa, and was closely associated with the entire north African campaign. I led the Third Division through Sicily and Italy to Anzio, commanded the Sixth Corps from Anzio to the capture of Rome, and through southern France, and returned to command the Fifth Army in Italy until it was redeployed in September 1945. On October 7, 1945, I relieved General Patton in command of the Third Army, and remained in Bavaria until May of 1946. In all my experience in Africa, Italy, and France, and until after I assumed command of the Third Army in Bavaria, black-market transactions and excess currency remittances were negligible, and had constituted no problem among combat soldiers. In Germany, there was a definite change, and the problem necessitated rigid control measures. Reasons for this change were of extreme interest to me and, therefore, a subject for serious study.

3. In Africa, Italy, France, and Germany until after VE-day, there had always been an impelling, immediate military objective to occupy the attention, and active operations or arduous training therefor to occupy the full time of all combat personnel. Officers and men were permanently assigned to established units, among comrades and friends, and under known and respected leaders. Pride of unit was an enormous influence on individuals, and the presence of known and respected leaders insured normal administrative and disciplinary control. Articles of consumer goods available could be purchased with the soldier's pay. Nor was the soldier tempted to barter issued articles of equipment and supplies which might be a vital need in his next operation.

VE-day and redeployment changed all this. American soldiers felt that they had accomplished the military objective—they had won the war. Occupational duties could fully occupy but a small portion of the several millions in Europe. These men had demonstrated in an outstanding way their willingness and ability to train when necessity existed. With the armed enemy destroyed, the impelling necessity was removed; they were done with arduous training, and actually resented all military drills or training. They wanted, more than all, simply to go home. Redeployment broke up established units, transferred low-point men to units scheduled for the Pacific, and high-point men to units scheduled for occupational duties or later redeployment. Then VJ-day reversed the process, transferring low-point men to units scheduled for late redeployment or occupational duties, and high-point men to units scheduled for redeployment to the United States. Changes were so rapid that men had not time to know their comrades and responsible leaders, or leaders to know their men. Administration incident to redeployment fully occupied the time of normal supervisory personnel. Under such conditions, with time on their hands, our victorious soldiers came in contact with the population of conquered territories, and with soldiers of Allied nations. The civil population had much money, for there was a scarcity of consumers' goods which they could purchase or for which the soldier could spend his pay. Allied soldiers, principally Russian, had their first pay in many months and their first opportunity to purchase anything. Personal items considered incidental by the Americans were prize luxuries to the Russian soldier. Items of

equipment, such as clothing and watches, and supplies, such as cigarettes, candy, and food, brought prices often fantastic in currency. This currency could be converted into dollars at post offices and finance offices for transmittal home. For the first time in his experience abroad the American was a seller of goods, rather than a buyer or a donor.

4. The soldier felt that he and his buddy had won the war, and they wanted nothing so much as return to normal civil life. He had demonstrated his willingness and ability to submit to controls essential for winning the war. He had demonstrated that he was the finest soldier of all time. But these men were still Americans, with the American characteristic of resenting controls and restrictions which they considered an interference with individual rights and liberties. The soldier could see no reason why he should not sell personal items which he had purchased, or which had been sent to him from home, if he so desired. After all, he believed in democracy and individual human rights and in our system of free enterprise for which he had fought. Letters from home, newspapers, and radios informed him that many at home who had not suffered his hardships were making profits from the war, as he felt, at his expense. He could see no reason why he should not make a small profit now when he had for the first time a small opportunity to do so. He considered that transmitting money home was an individual right and a small recompense for his sacrifice. When he converted marks into dollars, he did not consider that he was profiting at the expense of the Public Treasury, for he believed that we would make the enemy pay the cost. He saw soldiers of other nations, especially Russians, actively engaged in barter and paying fantastic prices for articles of insignificant value to him. His was a typical American reaction. If they can do it, why should not I? He could even justify the sale of equipment issued for military purposes, because he knew he would not need that equipment again for such purposes, that it would be surplus property, eventually to be given away or sold to Europeans.

5. I am of the firm opinion that most responsible leaders would agree that the psychological conditions outlined were a material factor in the development of this unfavorable situation.

General RICHARDS. Well, sir, you would run into this question, for example. I think there are on hand records of remittances which were made there. However, suppose the officers had a card game and someone won \$5,000 during the month. Was he to be denied the privilege of sending that back? Now, "craps" is quite a game among the enlisted men, and I do not know that the officers failed to shoot craps once in a while, too.

But those were some of the things that you could not say, probably—that an officer could not send back to the United States more than had been paid to him, although that feature was later incorporated.

#### AVAILABILITY OF RECORDS TO INTERNAL REVENUE BUREAU

Chairman BRIDGES. In that connection, were those made available to the Internal Revenue Department?

General RICHARDS. I do not know that they have asked for it.

Mr. PETERSEN. We have made some cases available to the Internal Revenue Department. Out of the volume of that, I cannot tell you how much. But very extraordinary cases have been turned over to the Department of Internal Revenue.

Chairman BRIDGES. Do they, of their own initiative, ask to see any of these large remittance—that is, very abnormal remittances?

#### TESTIMONY OF BRIG. GEN. E. M. FOSTER, ASSISTANT CHIEF OF FINANCE, UNITED STATES ARMY

(The witness was duly sworn by Chairman Bridges.)

General FOSTER. We have no record.

Individual transactions went on daily. A man would go to his company commander and ask to send home \$10, or any amount. The

money would be turned over to the finance officer; it would be transmitted by radio, the name and the place to whom going, where he wanted the money to go, to our finance officer in New York, the eastern area, and San Francisco for the western area, and a check would be issued on that radio to this individual in this country.

So there are millions of transactions on which there is no record kept of any individuals, millions of transactions going on all the time.

We do have a record of the total amount of money that was transferred by the PTA, as we call it, the "person who transferred the account." We do have a record of how much money, by months, that came into New York.

Chairman BRIDGES. Considering the hundreds of millions that are involved, many of them in very abnormal amounts, for tax purposes of the Internal Revenue Department, is it true that the War Department has no record, by individuals, of amounts that were sent?

General FOSTER. It would be the record of individual transactions but no record of any individual.

Chairman BRIDGES. Suppose we say you have a man who sent across \$20,000, at various times. Would there be any way of checking on him to see that he did send it across and for the Internal Revenue Department to take action on him?

General FOSTER. He could check it by going back to the records over there, which would be centralized in that man's account, over there; if it went through our Finance Office we might have a record. But it would mean the picking out of the individual transaction; going through all the transactions for a month and picking out the individual ones for this person and adding them up.

There was no central accounting kept of the individual transaction, because he merely deposited his dollars over there and we issued them out over here.

That is all. There was no individual record kept.

#### JURISDICTION OVER POST OFFICES IN GERMANY

Chairman BRIDGES. Does the Post Office Department run those post offices, or does the War Department run the post offices in Germany?

General FOSTER. The Post Office Department ran the post offices.

Chairman BRIDGES. The War Department?

General FOSTER. No; the Post Office Department. They had their representatives and ran them. It was all in their account.

Chairman BRIDGES. They would have a record, then?

General FOSTER. They would have a record; but there—I imagine—there the record would be the same as ours, and that is, if you said how many did a man send on a certain day, they could look at the abstract for that day and probably pick out that man's name or look at the money orders for that day. I do not know how they would run their business, but I am pretty sure that would be the same as in our accounts here.

Chairman BRIDGES. Thank you.

General Richards, I want to go back to another subject to clear up one thing.

## TRANSMITTAL OF AMERICAN DOLLARS TO GERMANY

Chairman BRIDGES. Today, if a person has a relative in Germany or Austria, and he wants to send this person, an American citizen, money in Austria or Germany, the only method in which he can transmit that money is through the War Department, is it not?

Mr. PETERSEN. The War Department or Post Office. We have postal communications with Germany.

Chairman BRIDGES. Then how is that paid to him over there?

Mr. PETERSEN. Suppose he has a dollar draft. He goes to the Army Finance Office—or now the American Express, which has a bank set-up in Germany—and cashes that for marks. It is illegal to circulate dollars in Germany, as it is in almost every country in the world.

Chairman BRIDGES. But is that deducted?

Mr. PETERSEN. That remittance is paid out of the excess holding of marks.

Chairman BRIDGES. It is?

Mr. PETERSEN. Yes, sir. It is one of the methods of liquidation. Remittances to American businessmen, families there, missionaries—that is how they get their money.

Chairman BRIDGES. From this fund of occupational marks which you have been accumulating?

Mr. PETERSEN. Yes. That is correct.

Chairman BRIDGES. So that any transmission of money to a business concern or to an individual in the occupied area is paid here in dollars and is paid in redeemed or, if you please, exchanged, occupation marks?

Mr. PETERSEN. Paid out of this long position in marks. That is correct. That is one of the methods of liquidating this account.

## STABILIZATION OF THE GERMAN ECONOMY

Senator MORSE. Mr. Chairman, I think that is very fundamental, because it goes to this whole question of stabilizing the German economy. You can never stabilize it that way, and as long as more and more marks are coming off of those American-Russian plates you really are collecting a form of reparation out of the German economy. It seems to me that is one of the basic economic issues that we have to face in regard to this matter.

I understand the Secretary's position. I do not know what other position he can take. But we are kidding ourselves if we think we are not collecting reparations from Germany by this type of a transaction, because all you can do is depreciate the value of those marks that are backed up by nothing.

In other words, we are in there now, trying to get ours while the getting is good; really, to make good on this accumulation. We are leaving them nothing but what are going to become worthless pieces of paper.

The relation of the principle of that—the moral principle of that type of transaction to the winning of the peace, I think, is direct.

You are not going to win the peace, you cannot have a stable econ-

omy over there, until you get German industry going. And you cannot get German industry going if it has to function on the basis of marks that are going to become more and more worthless as this type of a practice continues and as long as we countenance the Russians flooding the country with more and more marks that will have the same value in a depreciated form as our excess marks. I think it is pretty fundamental.

General RICHARDS. Senator, I am sure that you understand this; but, at least in part, these marks are due to goods and services having been rendered by the United States to the German economy, for which we have had these marks. You understand that?

Senator MORSE. Yes. And they are due in part, also, to supplies and foods and services that the German people have rendered for the Army over there, too.

Our supply department division over there buys certain quantities of German grain—

Mr. PETERSEN. No. We do not buy grain from Germany. No foodstuffs.

Senator MORSE. We buy something out of the economy.

Mr. PETERSEN. We get transportation or services out of the economy.

Senator MORSE. Whatever we get out of them.

General RICHARDS. They have received something for the marks which they gave us originally.

Senator MORSE. That is true. But they have to receive something for the marks we now turn back to them. They are going to receive much less from the marks that we now turn back.

General RICHARDS. Any business organization takes that same chance in international trade.

Senator MORSE. They at least have a competitive chance ordinarily.

But they take what we give them in this instance.

#### TRANSMITTAL OF DOLLARS TO GERMANY BY PRIVATE ORGANIZATIONS

Chairman BRIDGES. General Richards, do you have authority to do that with private funds—I mean those given to you for sending to a family in Germany? Do you take American dollars and pay them? Is there any legal authority for your action in that particular?

General RICHARDS. Yes, sir.

Chairman BRIDGES. What is it?

General RICHARDS. The authority of the commanding general to occupy the country.

Chairman BRIDGES. That is pretty general.

General RICHARDS. It is the only medium of exchange which is over there. I do not know where else he is going to get 10 marks for a dollar in Germany that was transmitted from the United States.

Senator KNOWLAND. Mr. Chairman?

Chairman BRIDGES. Senator Knowland.

#### COUNTERFEITING OF OCCUPATION CURRENCY—MILITARY PAYMENT CERTIFICATES

Senator KNOWLAND. I would like to ask a question that may have been answered during my absence. Has the military any information as to the counterfeiting of these scrips in Germany?

Mr. PETERSEN. We got a conversion of scrips, calling in the old secretly and issuing new scrips. That was done several months ago. One of the reasons that prompted that was the thought there might have been some counterfeiting. We profited to the extent of 4.5 million dollars on that conversion. It may be because spurious scrip was not turned in for good scrip, or due to taking scrip away for souvenirs, or lost or mutilated scrip. That was the extent of the profit on the conversion. That is another method of liquidating the excess holdings.

Senator KNOWLAND. Was that done on the suspicion of counterfeiting or was it done because you actually had information on the counterfeiting?

General RICHARDS. The first series of military payment certificates, two things happened: Counterfeiting started in a rather small way, and second, the military payment certificates were being accumulated in the black markets of Europe. It says on there that those were good "only by authorized personnel in the military."

So that they have begun to accumulate this in other countries—the black marketeers. We felt that it was time we changed the series and indicated to the black marketeer that we meant business when we said it was not good outside the country.

Senator KNOWLAND. When was that conversion made?

General RICHARDS. The 10th of March.

#### COUNTERFEITING OF NEW MILITARY SCRIP

Senator KNOWLAND. Has there been any indication of counterfeiting of this new scrip?

General RICHARDS. Yes, sir. Since that time counterfeiting has started again, and it has now appeared in Japan. Small amounts are being counterfeited in Italy, but they have caught up with it there. A relatively small amount has been counterfeited in the European theater, and they have instituted very stringent controls. The \$10 certificate is the only one which has been counterfeited thus far in Germany. Anyone who passes a \$10 counterfeit certificate, the number is taken down and his name. It is thereafter carefully examined by a secret process to determine whether it is a counterfeit or good.

If it is counterfeit it is returned to the man who passed it, telling him it is not good, and an attempt is made to find out the source of the counterfeit.

Mr. PETERSEN. It is endorsed from the man who cashes it in.

Senator KNOWLAND. He gives his name and serial number, and if it turns out to be no good he has to pay up the \$10?

Mr. PETERSEN. That is right.

General RICHARDS. At the time of the reconversion they were notified in all the theaters, and it was publicized, that a new series would be reissued from time to time, so they were warned that we meant business when we said that.

Senator KNOWLAND. How soon after the exchange of scrip was made did the first counterfeiting notes come to the attention of the American military authorities?

General RICHARDS. After the first series?

Senator KNOWLAND. After the March 10 conversion.

General RICHARDS. I think about 3 weeks.

## ADVANCE INFORMATION ON NEW-TYPE MILITARY SCRIPT

Senator KNOWLAND. Was there any indication to the military authorities that there had been any advance information on the issuance of the type of certificate being issued?

General RICHARDS. No, sir; they told us in the European theater that they felt it one of the most secret, if not the most secret, operation since the end of combat.

Senator KNOWLAND. In other words, they waited until they got a certificate, and you think that within the 3 weeks' time that they could make the necessary counterfeits?

General RICHARDS. Yes, sir.

## CHARITABLE REMITTANCES TO GERMANY

Chairman BRIDGES. General, or Mr. Petersen, either one of you: One of the reports that we have gotten, for instance, is the fact that the United Jewish Charities in this country, which raised a very substantial amount of money to be sent across for the relief of people in the occupied areas, gave that money to you and you distributed the occupation marks in place of it. Is that true?

Mr. PETERSEN. Charitable remittances are within the category of remittances which are converted into marks, out of these long positions; yes.

## UNITED JEWISH CHARITIES

Chairman BRIDGES. And that in the case of the United Jewish Charities, for example, that you did take American dollars and you did pay in occupation marks, and it did come from these overaccumulations of redeemed, or exchange occupation marks?

Mr. PETERSEN. I do not know the specific case, but charitable remittances are so handled, yes.

Senator, this is the only legal tender there is in Germany; the conversion rate is the same rate that applies to everyone on remittances. These marks which we hold are not spurious marks; they are valid marks.

## SITUATION WORSENER BY SOVIET MARK PRINTING

Chairman BRIDGES. The point is, as long as the Russians are allowed to keep on printing these marks your situation is going to grow cumulatively worse, as it has, and secondly, someone made a mistake—whether it was the Treasury or the State Department—in the wide redemption of hundreds and hundreds of millions of marks, converting them in exchange for millions of dollars. You stopped it, and I commend you for stopping it and putting in control measures, only you did not do it soon enough.

I am not blaming you, but I am looking to your General Cobbs, who was the fiscal agent over there, or someone who was over there at that time, who was either his commanding officer or who had charge of the matter over here, who did not call a halt to these practices.

Now, the only thing that I am pointing out is that having gotten yourself in that situation, it is clear that what you are doing is taking the charitable contributions, the individual sending of money, the payment of German war prisoners, all to get the War Department out

of the hole that someone got it into by building up this situation. Is that not true?

Mr. PETERSEN. That is correct. And the only alternative to proceeding in the liquidation of these holdings as we are proceeding is to ask Congress for an appropriation. Those are only two alternatives there are.

#### ESTABLISHMENT OF BLAME ESSENTIAL

Chairman BRIDGES. I think it is very important that we establish who is to blame, who acquiesced on behalf of this Government to give the Russian Government these plates, and secondly, who allowed this situation to accumulate over here until it did get in the extreme situation in which we find it.

It is getting late. When would Mr. McCloy be able to testify?

Mr. PETERSEN. He would be available to testify tomorrow. The reason he could not appear today was that he was making a speech last night in Montreal.

#### SUBSEQUENT MEETINGS

Chairman BRIDGES. What would be the pleasure of Senators Knowland and Morse on the continuation of this hearing? We would like to hear from the Treasury, State, and the Navy Departments, all of whom are involved in this, and also from Mr. McCloy, occupying the position he did, as Assistant Secretary of War, whom I am told has intimate knowledge of the deal of how and why the Russians were given these plates.

Senator MORSE. I would meet at the pleasure of the chairman and the witnesses.

Chairman BRIDGES. Would you prefer, Mr. Peterson and General Richards, and the others, tomorrow afternoon? We have many Appropriations Committee hearings meeting in the forenoon. If we can meet in the afternoon when we are not tied up with those, and keep in touch with the Senate work in here, which is in close proximity, it will be all the better.

Senator KNOWLAND. I would think we ought to proceed diligently and get it wound up.

Chairman BRIDGES. What about Thursday?

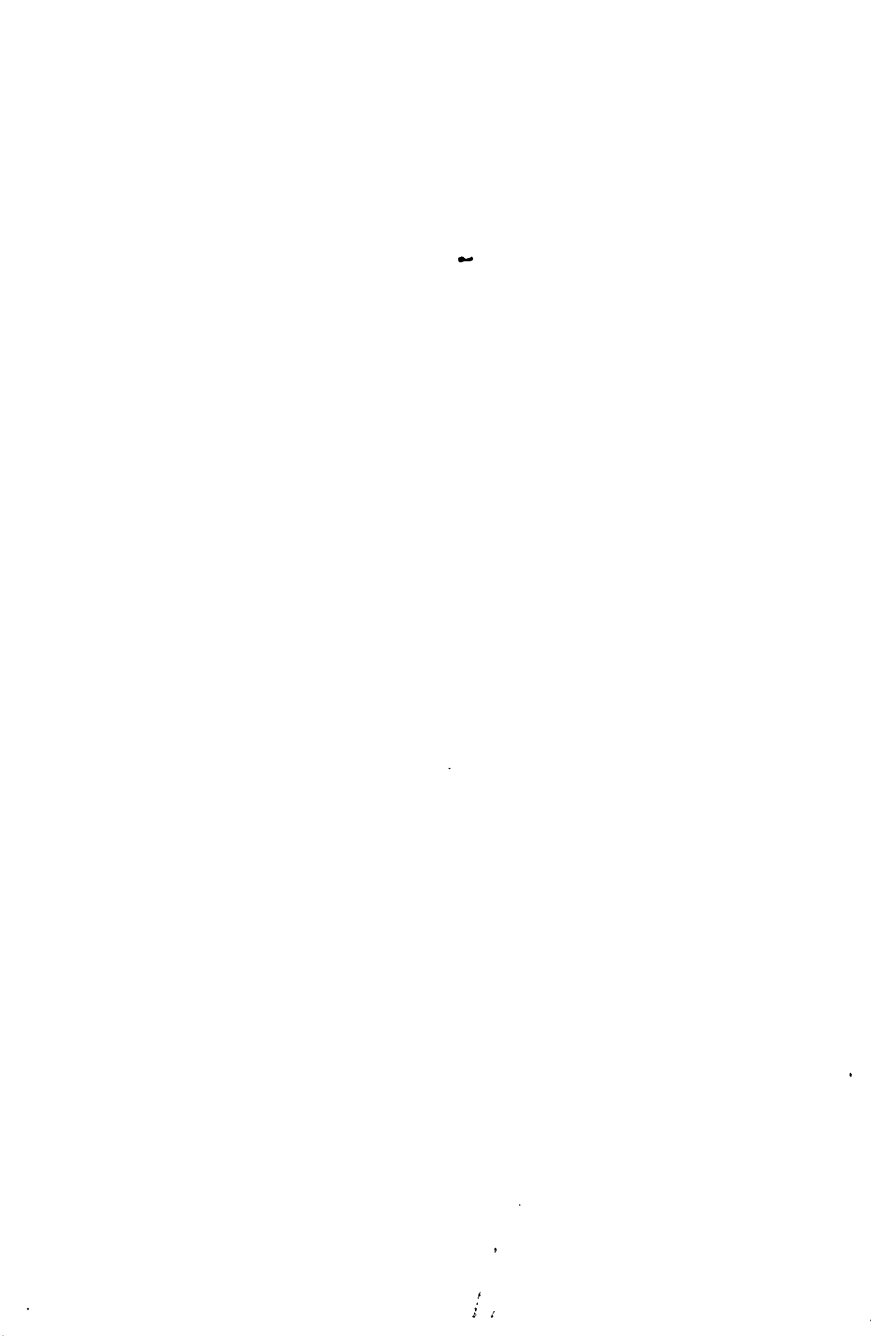
Mr. PETERSEN. I hold myself at your pleasure, Mr. Chairman. Would you want me to reappear?

Chairman BRIDGES. We will go on, if that be the case, at 2 o'clock tomorrow.

Mr. PETERSEN. Do you want me back tomorrow, Mr. Chairman?

Chairman BRIDGES. I do not think so.

(Thereupon, at 5:25 p. m., June 17, 1947, the committee adjourned, to reconvene Wednesday, June 18, 1947, at 2 p. m.)



# OCCUPATION CURRENCY TRANSACTIONS

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WEDNESDAY, JUNE 18, 1947

UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS, COMMITTEE ON ARMED  
SERVICES, COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committees met at 2 p. m., pursuant to adjournment, in the hearing room of the committee on the District of Columbia, Senator Styles Bridges (chairman of the Committee on Appropriations) presiding.

Present:

## COMMITTEE ON APPROPRIATIONS

Chairman Bridges and Senators Knowland, McKellar, Tydings, McCarran, and Green.

## COMMITTEE ON ARMED SERVICES

Senators Bridges, Morse, and Tydings.

## COMMITTEE ON BANKING AND CURRENCY

Senators Flanders and Bricker.

Chairman BRIDGES. The committee will come to order.

I think it might be well to put the Treasury Department officials on the witness stand first, so we will ask the representatives of the Treasury Department to come forward.

## TESTIMONY OF ANDREW N. OVERBY, SPECIAL ASSISTANT TO THE SECRETARY OF THE TREASURY; AND JOSEPH J. O'CONNELL, GENERAL COUNSEL FOR THE TREASURY, DEPARTMENT OF THE TREASURY

### TREASURY PARTICIPATION IN OCCUPATION CURRENCY TRANSACTIONS

(The witnesses were duly sworn by Chairman Bridges.)

Chairman BRIDGES. Will you give your full name, please?

Mr. OVERBY. Andrew N. Overby, Special Assistant to the Secretary of the Treasury.

Chairman BRIDGES. Mr. Overby, we are particularly interested in the Treasury's position on the so-called occupation marks, and the story of how the Treasury participated in this, and any light which you can throw on it, starting from the Treasury's first knowledge of the situation.

Mr. OVERBY. Yes, sir; may I say at the outset, sir, that I joined the staff of the Treasury Department in August of 1946. I therefore do not have direct personal knowledge of the matters with which I believe this committee is concerned. My testimony will have to be based upon my discussions with Treasury people and with examination of the records in the Treasury Department.

I believe, sir, that this committee is interested in the subject of the delivery to the Soviet Government of plates for the Allied military marks. The Treasury Department delivered to the Soviet Government's representatives a complete set of plates and other necessary technical material on April 18, 1944. This delivery was done on the basis of a decision which was a joint decision.

Chairman BRIDGES. May I interrupt you a moment so that Senator Knowland and Senator McKellar may have the picture. This is Mr. Overby of the Treasury Department, a Special Assistant to the Secretary of the Treasury, speaking on the Treasury's participation in this matter.

Will you proceed?

Mr. OVERBY. The delivery of the plates to the representatives of the Russian Government was based upon a decision which was a joint decision of the United States and the United Kingdom Governments. The decision insofar as the United States Government was concerned was made by the Treasury Department and the State Department without objection from the Combined Chiefs of Staff or the War Department. This decision was also made on the basis of representations from the British Treasury and the British Foreign Office.

As you have heard from the testimony yesterday, the decision was reached only after several months of efforts and we can admit they were vain efforts to obtain the agreement of the Soviet Government to our assurances that we would provide them with the adequate supplies of currency that we were printing in this country, the Allied military currency.

Preliminary discussions on this subject were held with the representatives of the Soviet Government in January of 1944. The prior decision had been made, as was testified here, that a common currency should be used. This decision had been made some time before in the case of Italy and Sicily, and the same decision prevailed in northwest Europe, and the decision to use a common currency was also true in the case of our prospective occupation of Germany.

The decision to use a common currency having been made, it was necessary to enter into the discussions with the Soviet Government to obtain their comments and concurrence. These discussions started as I have indicated in a preliminary fashion in January of 1944. The negotiations or discussions continued both in Washington and in Moscow.

#### REPRESENTATIVE OF UNITED STATES IN CURRENCY CONVERSATION

Chairman BRIDGES. Now, Mr. Overby, who represented the United States in those discussions?

Mr. OVERBY. The discussions, the preliminary discussions to which I have referred, were conducted by the then Secretary of the Treasury, to the best of my knowledge, who was then Mr. Morgenthau. There were cables exchanged with Ambassador Harriman in Moscow on this

subject in an effort to get comments of the Soviet Government and to get their concurrence.

In February of 1944, a cable was received by the State Department from Ambassador Harriman, who stated that he had had discussions with Soviet authorities who indicated their general agreement with using a common currency but who stated that to assure the Red Army of an adequate supply of the proposed Allied military mark currency it was essential that the Soviet Government be furnished a duplicate set of plates for this purpose.

Discussions were then held in this country by the Treasury Department, the State Department, and the War Department. Discussions were also held with the Soviet Ambassador and his representatives and an effort was made to persuade the Soviet authorities that we could not comply with their request to furnish the plates, and our assurances were again given that they would receive an adequate supply of the currency to be printed in this country.

The matter was referred to the Combined Chiefs of Staff and I believe Mr. Petersen testified yesterday with reference to that. The general purport of the decision made by the Combined Chiefs of Staff was that if the Treasury and the State Departments and the British Foreign Office and the British Treasury should decide to make the plates available to the Soviet Government, this could be done without interference with General Eisenhower's military requirements, or words to that effect.

Upon learning of this, the Treasury Department communicated with the State Department and the decision was made that in the interests of assuring what we then hoped would be economic unity in Germany, and in the interests of the joint war effort and the cooperation with our allies, the plates would be delivered to the representatives of the Soviet Government.

#### RESPONSIBILITY OF SECRETARY OF THE TREASURY

Senator McKELLAR. What officers of ours agreed to that?

Mr. OVERBY. The Treasury Department, sir. In the Treasury Department the Secretary of the Treasury, as always, is the responsible official.

Senator McKELLAR. Who was the Secretary at that time? Was that Mr. Morgenthau?

Mr. OVERBY. Yes, sir.

Senator McKELLAR. So that he made the agreement for our Government, that the Russians should use these plates?

Mr. OVERBY. May I repeat that the State Department shared in that decision, and that it was without objection of the State Department.

Senator McKELLAR. Who in the State Department made that decision?

Mr. OVERBY. Well, sir, the State Department representatives here can tell you on the basis of direct information. It is my understanding that James C. Dunn, who was then Assistant Secretary of State, to the best of my knowledge was the State Department official primarily concerned in this matter.

Now, may I add a few comments?

## PARTICIPATION OF BUREAU OF PRINTING AND ENGRAVING

Senator KNOWLAND. May I ask a question at this point. Was there a written memorandum at this point when the final decision was made to turn over the plates to the Russian Government?

Mr. OVERBY. To the best of my knowledge, the then Secretary gave oral instructions to the then Director of the Bureau of Engraving and Printing, I believe, to deliver the plates to the representatives of the Soviet Government.

Senator KNOWLAND. There was no written memorandum of any kind, or directive to the Director of the Bureau of Printing and Engraving to turn over these plates. It was done on verbal orders?

Mr. OVERBY. I have seen no directive to him to do so. There are memoranda with respect to the letter from the Combined Chiefs of Staff, and the decision made to turn the plates over.

Senator KNOWLAND. Have those memoranda been produced for the committee?

Mr. OVERBY. I do not have them with me, sir.

Senator KNOWLAND. Could they be produced?

Mr. OVERBY. Yes, sir.

Senator McCARRAN. Did I understand that there were directives and memoranda?

Mr. OVERBY. I can recall no directives from the then Secretary of the Treasury to the Bureau of Engraving and Printing.

Senator McCARRAN. How was the order transmitted?

Mr. OVERBY. There are memoranda supporting on the basis of which the testimony I have given was made. I said at the beginning that I do not have direct personal knowledge because I only arrived in the Treasury in August of 1946. We shall be glad to supply to the committee the memoranda within the control of the Treasury Department.

Chairman BRIDGES. What we would like is a memorandum of the minutes of the conferences at which this decision was made, and secondly, a copy of the orders which you transmitted to the Bureau of Printing and Engraving for the printing.

Senator KNOWLAND. And for turning over the plates.

Chairman BRIDGES. And copies of the cables exchanged on these transactions.

Mr. OVERBY. May I say on the latter point and on the question of the letter from the Combined Chiefs of Staff, that the Treasury Department is handicapped in furnishing those to the committee inasmuch as they are cables exchanged by the State Department, and they are classified cables of which the Treasury was only furnished copies, paraphrased copies, and we would not be at liberty, the Treasury as such, to furnish those. I would rather have you direct that to the State Department.

Chairman BRIDGES. We will do that.

Mr. OVERBY. As to the Combined Chiefs of Staff document, I am not empowered to act for the Combined Chiefs of Staff on that. I just want to make that clear. We are perfectly prepared as far as the records under our control are concerned, to furnish all documents.

Chairman BRIDGES. You would be able to furnish us with the order of the Secretary of the Treasury to the Bureau of Engraving and Printing for the printing of these marks?

Mr. OVERBY. We will be glad to furnish whatever records there are on that subject; yes, sir.

Senator KNOWLAND. And I think, Mr. Chairman, at this point, if they would furnish us at least with the identification of the items that they feel that they cannot furnish us, and where the ultimate authority will rest, so that we can get those documents.

Mr. OVERBY. We will be glad to submit a list of the items. (The material referred to is furnished in appendix B.)

#### CURRENCY A MILITARY GOVERNMENT QUESTION

Mr. OVERBY. May I comment somewhat further, that the delivery, as I have stated, took place. The Treasury Department, I think perhaps someone stated yesterday, would have knowledge of what had been issued in Germany. I just want to correct that impression. We do not. Once the currency printed in this country was delivered to the War Department, it then became a military government question, with supreme commander authority for the issuance in Germany. We do not have the details of what was issued.

Senator KNOWLAND. As a matter of fact, Mr. Chairman, might I ask this question: Did not the Secretary of the Treasury have a representative in Europe at this time?

#### REPRESENTATIVES OF TREASURY IN EUROPE

Mr. OVERBY. To the best of my knowledge and belief, he did not. The role of the Treasury in the question of occupation areas is an advisory role at best. The State Department is responsible, if I may describe it, primarily for policy, and the War Department is responsible for the execution of policy.

Senator KNOWLAND. Now, did not the Treasury make available to the War Department certain of its personnel which was commissioned?

Mr. OVERBY. Oh, yes; during the war a great many Treasury men were on that.

Senator KNOWLAND. And some of them on a fairly high level?

Mr. OVERBY. That would be my impression, sir, yes, sir. I cannot remember all of the names but it is my impression that a great many people from the Treasury did enter the armed services and were assigned to various areas.

Senator KNOWLAND. As specialists in monetary matters?

Mr. OVERBY. In view of their training, I think the War and Navy Departments decided they could best be used in fiscal matters. But they were no longer Treasury employees then.

Senator McKELLAR. Does the Department have any knowledge of how much of this currency has been issued by the Russians since the dies and other materials were turned over by this Government?

Mr. OVERBY. The Treasury Department to the best of my knowledge does not have any such information.

Senator McKELLAR. It has no knowledge? We just turned over the machinery to the Russians and told her to issue what she wished?

Mr. OVERBY. I do not believe we told her to issue what she wished. We did turn over the plates.

Senator McKELLAR. That was the inference, was it not?

Mr. OVERBY. I would not say that that was the inference or was not. I would not know.

## AMOUNT OF OCCUPATION CURRENCY PRINTED

Chairman BRIDGES. Now, you can tell us, can you not, the amount of the occupation currency which was printed in this country?

Mr. OVERBY. Mr. Hall, from the Bureau of Engraving and Printing, can give those details. He is here. The only point I wanted to make was that the printing done here was turned over to the War Department and in turn to the supreme commander, and the issuance of that currency thereafter was no longer a Treasury Department matter. But I am sure that Mr. Hall at your convenience can indicate the amount that was printed here.

## LEGAL AUTHORITY FOR OCCUPATION CURRENCY

Chairman BRIDGES. I would like to ask you one more question. What legal authority did the Treasury Department have to engrave the plates and print the occupation currency? We heard testimony of the War Department yesterday, but you were the ones who, in conjunction with the State Department, made the decision and you ordered the printing done. Now, what do you consider your legal authority for doing it?

Mr. OVERBY. Well, Senator Bridges, I heard the testimony yesterday, and it accords with my understanding that the printing of occupation currency is done under the general authority of the occupying power in accordance with international law, the Hague Convention, and the decisions of the Supreme Court. The occupying power assumes the functions of government, which include the issuance of currency.

I should be glad, sir, if you will permit, to ask Mr. O'Connell, the general counsel of the Treasury Department, if he wishes to add to that statement, if you so desire.

Chairman BRIDGES. Will you be sworn, sir.

(The witness was duly sworn by Chairman Bridges.)

Chairman BRIDGES. What is your full name?

Mr. O'CONNELL. Joseph J. O'Connell, Jr., general counsel for the Treasury Department.

Preliminary to the decision to issue invasion currency, which is preliminary to the actual occupation of Sicily and Italy and Germany, the Department gave very extensive consideration to the problem as to the authority of the Government, this Government, to provide a currency in an occupied area, whether it be an enemy or enemy-occupied area. Pursuant to that consideration, a somewhat detailed memorandum was prepared in the fall of 1943 which discusses at great length the general proposition as to the legality for the issuance of invasion currency. That memorandum, which is dated September 23, 1943, and it is rather long, I would like to offer for the record. It is a rather extensive treatment of the general problem.

Chairman BRIDGES. We would like to have it received and used as an exhibit in the record.

Mr. O'CONNELL. Subsequent to that in December of 1943, another memorandum of somewhat similar tenor as an opinion from the then general counsel to the Secretary of the Treasury was also prepared, and I think if it would not unduly burden the record, both of these docu-

ments I think quite completely treat of the problem of invasion currency.

(The documents are as follows:)

#### RE OPINION ON THE LEGALITY OF THE ISSUANCE OF AMG CURRENCY IN SICILY

The Allied Military Government (AMG) has issued special currency in Sicily for local use, called Allied Military Currency. It is denominated in lira, and has been made legal tender in Sicily, interchangeably with the Italian lira already in circulation. It is being issued to American, Canadian, and British troops as pay, to the extent such troops desire and are permitted to draw pay in cash, at the proclaimed rate of 100 lira to the dollar, and 400 lira to the pound. The currency is also being used for the purchase of supplies for the armies, and for local governmental purposes, and may be made available for loans, either by advances to a central bank, or directly. To the extent that military lira are issued for regular Army purposes, such as the pay of troops and the purchase of supplies, charges are being made here against War Department appropriations, at the decreed rate of exchange.

This memorandum concludes that the issuance of AM currency, as described above, is entirely proper under the applicable law, from the viewpoint of participation therein by the U. S. Army. Probably the same legal considerations would support participation in the enterprise by the British and Canadian armies, but no effort has been made to cover that field.

I. The Allied armies properly assumed the administration of government in Sicily, applying Italian law, except as changed by military authority, rather than the domestic law of the Allied nations.

(a) By established principles of international occupying armies properly assume powers of government over occupied territory.

It is universally agreed among the authorities on international law that an army occupying enemy territory acquires a temporary right of government administration over the occupied territory.

1. (2 Oppenheim, International Law (6th Lauterpacht Ed. 1940) 886-80; 2 Hyde, International Law (1922) 886-88; 1 Moore, International Law Digest (1906) 45-51; 7 Id. 257-315; Hall, International Law (8th Higgins Ed. 1924) 553-76; Lawrence, International Law (7th Winfield Ed. 1928) 408-30; Colby, Occupation under the Laws of War (1926) 26 Col. L. Rev. 146, 149.)

The exercise of this power of government is now subject to certain accepted rules which will be discussed later in this opinion where such rules are relevant to the currency question. But these limitations on the exercise of governmental power by an occupying army are comparatively recent innovations.

As late as the first half of the 18th Century, international law acknowledged no limitations on the right of an occupying belligerent. He could devastate the country, appropriate all public and private property, and kill the inhabitants, enslave them, or impress them into his own army.

2 (Oppenheim, op. cit. supra note 1, at 387; Lawrence, op. cit. supra note 1, at 408-11. But see Baty, Relations of Invaders to Insurgents (1927) 36 Yale L. J. 966-77.)

The limitations which have grown up on the powers of an occupying army are part of a humanizing trend in the accepted rules applicable to warfare which were codified to a considerable extent in the Hague Conventions adopted in 1907, to which the United States subscribed.

3. (Conventions Concluded at the Second International Peace Conference, held at the Hague, 1907. Reference in this opinion are to the Annex to Convention IV, entitled "Regulations Respecting the Laws and Customs of War on Land." This Convention was concluded October 18, 1907; ratified by the Senate March 10, 1908, ratified by the President February 28, 1909, and proclaimed February 28, 1910. 2 Malloy, Treaties (1910) 2269, et seq.)

The impact of the particular rules which may be considered relevant in dealing with the problem at hand will be considered in point II of this opinion.

It is not necessary for the question at hand to consider the extent to which the Hague Conventions are considered binding, in view of the nonadherence thereto by certain belligerents.

4. (Convention IV provides that, "The provisions contained in the Regulations . . . as well as in the present Convention do not apply except between Contracting Powers, and then only if all the belligerents are parties to the Convention." See 1 Garner, International Law and the World War (1920) 16 ff; 2 Oppenheim, op. cit. supra, note 1, at 182, 185-86, where the point is made that since the Hague Convention was largely declaratory of the accepted law, the "general participation clause" does not really exempt nations from compliance.)

a. g. Italy

5. (See 2 Oppenheim, op. cit. supra, note 1, at 740.)

since it will be demonstrated that the issuance and use of currency in Sicily is consistent with those conventions. In construing the limitations upon the exercise of governmental authority by an occupying army, consideration must be given to the totalitarian methods of warfare which have been adopted by all of the belligerent countries to a greater or less degree, and which involve economic warfare on a scale never contemplated in 1907. It is clear that international law limitations will not be construed to interfere with the kind of economic warfare which is being universally practiced today.

6. (Nussbaum, *Money in the Law* (1939) 159.)

The humane limitations on warfare may be carried over into the economic field, but will not be held to interfere with important areas of economic warfare, any more than the other limitations of the Hague Conventions were intended to impose any serious limitations on the necessities of military operations proper.

(b) Our courts have accepted these principles of international law and have recognized the propriety of the exercise of governmental powers by military authorities in occupied areas.

The Supreme Court has consistently and uniformly accepted the principles of international law described above in all situations which have come before it. In the case of *Dooley v. United States* (182 U. S. 222, 230-31 (1901)), dealing with American occupation of Puerto Rico during the Spanish-American War, the Court quoted with approval the following passage from Halleck's *International Law*:

"The right of one belligerent to occupy and govern the territory of the enemy while in its military possession, is one of the incidents of war, and flows directly from the right to conquer. We, therefore, do not look to the Constitution or political institutions of the conqueror, for authority to establish a government for the territory of the enemy in his possession, during its military occupation, nor for the rules by which the powers of such government are regulated and limited. Such authority and such rules are derived directly from the laws of war, as established by the usage of the world, and confirmed by the writings of publicists and decisions of court—in fine from the law of nations."

Similarly, in a case involving the occupation of New Orleans by Union troops (which it held to be the same as military occupation of foreign territory), the Court said:

"In such cases the conquering power has a right to displace the pre-existing authority, and to assume to such extent as it may deem proper the exercise by itself of all the powers and functions of government. It may appoint all the necessary officers and clothe them with designated powers, larger or smaller, according to its pleasure. It may prescribe the revenues to be paid, and apply them to its own use or otherwise. It may do anything necessary to strengthen itself and weaken exerted in such cases, save those which are found in the laws and usages of war. Those principles have the sanction of all publicists who have considered the subject."

*New Orleans v. Steamship Company* (20 Wall. (87 U. S.) 387, 394 (1874)).

In other cases involving the Mexican War, the Civil War, and the Spanish-American War, the Supreme Court clearly recognized that the powers of government over occupied territory which the United States has by international law are properly carried out by the military under the orders of the President as Commander in Chief:

"The person who acted in the character of collector in this instance, acted as such under the authority of the military commander, and in obedience to his orders; and the duties he exacted, and the regulations he adopted, were not those prescribed by law, but by the President in his character of Commander in Chief. The custom-house was established in an enemy's country, as one of the weapons of war. It was established, not for the purpose of giving to the people of Tamaulipas the benefits of commerce with the United States, or with other countries, but as a measure of hostility, and as a part of the military operations in Mexico; it was a mode of exacting contributions from the enemy to support our army, and intended also to cripple the resources of Mexico, and make it feel the evils and burdens of the war. The duties required to be paid were regulated with this view, and were nothing more than contributions levied upon the enemy, which the usages of war justify when an army is operating in the enemy's country." *Fleming v. Page* (9 How. (50 U. S.) 603, 616 (1850)).

Early in 1847 the President, as constitutional Commander in Chief of the Army and Navy, authorized the military and naval commander of our forces in California to exercise the belligerent rights of a conqueror, and to form a

civil government for the conquered country, and to impose duties on imports and tonnage as military contributions for the support of the government, and of the army which had the conquest in possession. \* \* \* None can doubt that these orders of the President, and the action of our Army and Navy commander in California, in conformity with them, was according to the law of arms and the right of conquest, or that they were operative until the ratification and exchange of a treaty of peace." *Cross v. Harrison* (57 U. S. 104, 100 (1854)).

"\* \* \* It became the duty of the National Government, wherever the insurgent power was overthrown, and the territory which had been dominated by it was occupied by the national forces, to provide as far as possible, so long as the war continued, for the security of persons and property, and for the administration of justice.

"The duty of the National Government, in this respect, was no other than that which devolves upon the government of a regular belligerent occupying, during war, the territory of another belligerent. It was a military duty, to be performed by the President as Commander in Chief, and intrusted as such with the direction of the military force by which the occupation was held." *The Grapeshot* (0 Wall. (76 U. S.) 120, 132 (1860)).

"There can be no doubt with respect to \* \* \* the exaction of duties under the war power. Upon the occupation of the country by the military forces of the United States, the authority of the Spanish Government was superseded, but the necessity for a revenue did not cease. The government must be carried on, and there was no one left to administer its functions but the military forces of the United States. Money is requisite for that purpose, and money could only be raised by order of the military commander. The most natural method was by the continuation of existing duties. In adopting this method, General Miles was fully justified by the laws of war." *Dooley v. United States* (182 U. S. 222, 230 (1901)).

In each of these cases, the Court recognized without question that American military authorities in the course of a war have the power to exercise governmental functions over occupied territory under the orders of the Commander in Chief, and that the exercise of such powers will be upheld in subsequent private litigation involving the validity of particular decrees issued by military commanders. Other cases to the same effect are *Leitensdorfer v. Webb* (20 How. (61 U. S.) 176 (1857)); *Mechanics' Bank v. Union Bank* (22 Wall. (89 U. S.) 276 (1874)); *Rutledge v. Fogg* (43 Tenn. 554 (1860)). In only one case did the Court decline to uphold the act of a military commander and that decision was on the ground that the commander disobeyed the orders given him by the President as Commander in Chief, *Ochoa v. Hernandez* (230 U. S. 139, 154 (1913)).

The Supreme Court has likewise recognized the validity of the exercise of powers of government by enemy armies occupying American territory. Thus, in the case of *United States v. Rice* (4 Wheat. (16 U. S.) 246 (1819)), involving the British occupation of the city of Castine, Maine, during the War of 1812, the case of *Thorington v. Smith* (8 Wall. (75 U. S.) 1 (1868)), involving the Confederate government and the case of *MacLeod v. United States* (220 U. S. 416 (1913)), involving native insurgent occupation of Cebu in the Philippine Islands, the Court recognized the necessity of obedience by American citizens to the government actually exercising power.

(c) The law applicable in Sicily is the Italian law, as modified by the Allied Military Authorities in charge, not the domestic law of the United States or of the other Allied occupying countries.

The Hague Convention clearly enunciated the principle that the laws applicable in an occupied country remain in effect during the occupation, subject to change by the military authorities within the limitations of the Convention. Article 43 provides:

"The authority of the legitimate power having in fact passed into the hands of the occupant, the latter shall take all the measures in his power to restore, and ensure, as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country."

This declaration of the Hague Convention amounts only to a reaffirmation of the recognized international law prior to that time.

7. (2 Oppenheim, op. cit., supra, note 1, at 842, Colby, supra, note 1, at 151-52.)

In the case of *Dooley v. United States* the Supreme Court quoted with approval the following sentences from Halleck's International Law:

"The municipal laws of a conquered territory, or the laws which regulate private rights, continue in force during military occupation, except so far as

they are suspended or changed by the acts of the conqueror. \* \* \* He, nevertheless, has all the powers of a de facto government, and can at his pleasure either change the existing laws or make new ones."

8. (182 U. S. 222, 231 (1901).)

In other articles of the Hague Convention, provisions are included delimiting the authority of the military government over a variety of subjects, and affirming its right to collect taxes, levy contributions, and requisition property for the needs of local government as well as military operations.

Thus, the entire structure of law recognized for occupied territories is the local law as it existed prior to the occupation, with any particular changes which may have been made by the military authorities. During the last war, German authorities recognized this principle in occupying Belgium and other territory, and, although they were condemned for having gone too far in particular modifications of local law made, there was never any attempt on their part to set aside the local law as a whole.

9. (Colby, *supra*, note 1, at 151-52; 2 Garner, *op. cit.*, *supra*, note 4, at 63 et seq.)

Certainly there has been no suggestion that German law followed the German armies as they occupied territory. In certain areas of Poland where Germany decreed annexation in 1939, the German law was made applicable.

10. (2 Oppenheim, *op. cit.*, *supra*, note 1, at 848.)

Whatever may be the rights and wrongs of this policy is immaterial; we do not plan to annex Sicily.

II. The military authorities occupying Sicily have the right to issue military currency in the exercise of their governmental powers.

(a) A great variety of currency devices have been used in support of military operations for many centuries.

Special currency devices of many kinds have been used in warfare. As early as the year 1122, during the siege of Tyre, Doge Michell paid his troops in leather money, which he promised to redeem when the army returned to Venice.

11. (Del Mar, *Money and Civilization* (1886), 29.)

Frederick II, when he besieged Milan, also used leather money, but went a step further by issuing it as a measure of the division of the anticipated spoils as well as in payment of wages.

12. (*Id.* at 53.)

Counterfeiting of the enemy's currency was resorted to by the British during the American Revolution,

13. (Nussbaum, *op. cit.*, *supra*, note 6, at 155.)

by Sherman in his march through Georgia.

14. (Edmunds, *The Lawless Law of Nations* (1925), 312.)

and by Napoleon in his Austrian and Russian campaigns.

15. (Nussbaum, *op. cit.*, *supra*, note 6, at 155.)

Frederick the Great captured the enemy's dies and issued degraded coins made from them.

16. (*Ibid.*)

When the French occupied the Ruhr in 1923, they finished the printing of some Reichsbank notes in process and issued them.

17. (*Id.* at 158-59.)

Receipts for requisitioned goods were used commonly, for example, during the Seven Weeks War,

18. (Hoster, *Seven Weeks War*, 80.)

and by the Germans during the Franco-Prussian War.

19. (Spaight, *War Rights on Land*, 392.)

The British went a step further during the Boer War and made such receipts readily negotiable.

20. (*Id.* at 396; Lawrence, *op. cit.*, *supra*, note 1, at 424.)

an arrangement very similar to the issuance of currency.

Occupation currency, as such, has many precedents. During the American Revolution the Continental Congress issued currency even before the issuance of the Declaration of Independence,

21. (Dewey, *Financial History of the United States*, 37-38; Morrison and Commager, *Growth of the American Republic*, 207; Nussbaum, *op. cit.*, supra, note 6, at 172-73.)

when the territory controlled by the Congress was held in military occupation against the then legitimate government. The Confederacy issued its own currency in Confederate territory

22. (*Thorington v. Smith*, 8 Wall. (75 U. S.) 1 (1868); Morrison and Commager, supra, at 711.)

and also in northern areas occupied from time to time during the war.

23. (Spaight, *op. cit.*, supra, note 19, at 302.)

The Japanese issued special occupation currency in Korea and Manchuria during the Russo-Japanese War of 1905.

24. (In the Russo-Japanese War, the Japanese forces in Korea and Manchuria paid for their requisitions with military checks or credit notes which were announced to be subject to exchange for silver coin on a certain day. It is stated that each army and division held bullion for such exchange in its Treasury chest. It would appear that such checks were not at first accepted readily, but that the Japanese prevailed upon the Chinese civil authority to make a similar announcement about their convertibility and also prevailed upon them to announce that the payment of Chinese taxes and contributions could be made in such military checks. The total amount put in circulation exceeded 14,000,000 sterling. No reference has been found to the amount of such checks which were actually exchanged for silver coin. However, it is stated that the Chinese soon asked for no silver coin in exchange and that the checks had an easy circulation as convertible paper. Takahashi, *International Law Applied to the Russo-Japanese War* (1903), 260-61; Spaight, *op. cit.*, supra, note 19, at 397; Lawrence, *op. cit.*, supra, note 1, at 424-25; Ariga, *La Guerre Russo-Japonaise* (1908); 450 et seq. Ariga also states that such a system of money was not absolutely new because it had been determined to issue 27,000,000 "taels d'assignats" in the war with China of 1894, but that peace was concluded before they were put into circulation.)

Germany and Austria issued occupation currency during the First World War.

25. (See *infra*, p. 14, and citations in note 42.)

The British did the same in their occupation of Archangel during and after the World War.

26. (These notes were stated on their face to be redeemable in sterling at London at a fixed rate of exchange. White, *Currency of the Great War* (1921), 66; League of Nations, *Currency After the War* (1920), 100. American troops stationed in Siberia first obtained local currency for dollars at local banks, and later issued dollars, which were freely accepted locally, according to oral information from an officer who participated in the expedition.)

During the present war, the British have been using the "military pound" in the conquered Italian African colonies.

The Germans have been using a variety of occupation currencies in the present war on a large scale. The currency initially used in most occupied areas was the Reichskreditkassen mark, a paper currency printed in German and denominated in German monetary units, which circulated side by side with the local currency at decreed rates of exchange, both having the status of legal tender.

27. (In Poland the Germans first made payments in ordinary Reichsmark currency, as they had an insufficient supply of Polish currency and had not prepared in advance any special occupation currency. Subsequently, the Germans issued in Poland special notes designed originally for use in Germany as a substitute for silver coin which the Germans were intending at one time to withdraw from circulation. These notes were the forerunner of the Reichskreditkassen marks.)

These Reichskreditkassen marks were not legal tender in Germany proper. As soon as local conditions permitted, the Germans, as a rule, withdrew the Reichskreditkassen marks in favor of a currency more familiar to the local population. Sometimes this was genuine local currency issued by the preoccupation government and reissued by the Nazi-dominated government of the occupied territory.

28. (This was done in Denmark and France.)

In other cases, it was a local currency identical with the old currency, but reproduced by a Quisling government.

29. (The Quisling-controlled Bank of Norway is issuing bank notes manufactured with the prewar plates, indistinguishable from the older currency.)

or a new local currency denominated in the old local units,

30. (New sloty notes were issued in Poland, and dinar notes in Serbia.)

or an entirely new local currency denominated in terms of a new unit.

31. (The "Karbovanets" was introduced in the Ukraine, and the "Kuna" in Croatia.)

In occupied areas incorporated into the Reich, the currency which replaced both the Reichskreditkassen marks and the former local currency was the regular German Reichsmark.

82. (E. g., in the parts of Poland, France, and Belgium incorporated into Germany.)

Another currency technique was used to meet the problem of paying the large number of German troops stationed in Hungary, Roumania, and Bulgaria, without causing price and monetary disturbances. Troops received part of their pay in local currency, and part in Kantingeld, and later Beheftageld der Wehrmacht. These special currencies are good for the full equivalent of the pay due only for purchases in Army canteens, or for remittances to Germany; for use in local purchases, they are only worth one-tenth as much.

This long history of special currency devices is an indication of the necessity from a military point of view of meeting special currency problems in the course of military operations. It is also an indication that such devices have become a regular part of the conduct of warfare practiced at some time or other by practically every important country.

(b) International law interposes no objection to the issuance of military currency.

The international law authorities do not discuss the rights and wrongs of the issuance of currency, as such, by an occupying military authority. The Hague Convention contains a long series of provisions dealing with financial relations between the occupying military force and the inhabitants of the area. The occupant is authorized to collect taxes, dues, and tolls in accordance with the rules of assessment and incidence in force, and if he does so, is required to finance the administration of the occupied territory.

83. (Art. 48.)

In addition to taxes, other money contributions may be levied for the needs of the army and the administration of the territory, and such contributions must be collected "as far as possible" in accordance with the regular rules of assessment and incidence.

84. (Arts. 49, 51.)

Contributions may be collected only on the written orders of the Commander in Chief, and receipts must be given.

85. (Art. 51.)

Similarly, requisitions in kind and services may be made for the needs of the army, also under written authority of the Commander. As in the case of contributions in kind, payment must be made in cash, or a receipt must be given, and the payment made as soon as possible thereafter.

86. (Art. 52.)

Cash, funds, and realizable securities owned by the state occupied, as well as tangible state property, may be appropriated.

87. (Art. 53.)

While many military operations have been carried out without the issuance of new currency, either by use of the currency of the occupying power, by collection of taxes and contributions prior to the making of disbursements for local government, or by liberal use of the requisitioning power and the issuance of receipts, it is clear from the historical references above that many other armies found these methods unsuitable, and resorted to various kinds of currency.

88. (Requisitions and contributions against receipts were the common practice by the late 19th Century. 2 Oppenheim, op. cit., supra, note 1, at 816.)

The Hague Convention makes no specific reference to the question of currency, but provides in its preamble that:

"Until a more complete code of the laws of war has been issued, the High Contracting Parties deem it expedient to declare that, in cases not included in the Regulations adopted by them, the inhabitants and the belligerents remain under the protection and the rule of the principles of the law of nations, as they result from the usages established among civilized peoples, from the laws of humanity, and the dictates of the public conscience."

The practice of nations at war would seem to confirm the power to issue currency as an incident of the administration of local government.

A recent decision of the British Chancery Court, taken literally, would seem to cast serious doubt as to the applicability of the Hague Conventions. In the case of *Bank of Ethiopia v. National Bank of Egypt* (1937), Ch. 518, the legitimate officers of the Bank of Ethiopia, then in London, sued the National Bank of Egypt for a settlement of accounts. The defendant admitted the existence of

the accounts, but opposed the claim on the ground that the Italian Government had appointed a liquidator of the Bank of Ethiopia who was the proper recipient of any settlement. The Ethiopian directors claimed that the appointment of a liquidator involved a modification of Ethiopian law with respect to the status of corporations and that such a modification of the law was beyond the power of a military occupant under Article 43 of the Hague Convention.

39. (Which provides that the occupant must respect "unless absolutely prevented, the laws in force in the country.")

The court said that the plaintiff's contention had " \* \* \* no relevance in principle to the case of a de facto government set up in an area from which the former government has departed, and in which there is no government authority except that of the de facto government," and that " \* \* \* confusion (would ensue) if the only bank of issue in the country were allowed to continue its business under the control of persons who, until the last moment, seem to have been engaged in strenuous attempts to assist the displaced government to resist the attacks of those who have become the de facto government." Of course, in every case of belligerent occupation, the former government departs, if it can, and there is no government authority except that of the occupying power. Thus, taking the language literally, this decision would make the Hague rules governing military occupation practically a nullity, at least when the occupation of a country was complete, and the occupying power would be free to do as it chose, subject to no limitation. However, the court had presented to it a formal de facto recognition of the Italian conquest by the Foreign Office, a type of recognition not formalized under American practice.

40. (See Note (1941), 41 Col. L. Rev. 1072, 1078-82. On the case generally see Wright, *The British Courts and Ethiopian Recognition* (1937), 81 *Nam. J. Int. L.* 683. See also *Haile Selassie v. Cable and Wireless, Ltd.* (1939), 1 Ch. 182.)

Evidently, the court accorded to such recognition at least part of the incidents of de jure recognition.

The Supreme Court of the United States dealt with the question of Confederate currency in the case of *Thorington v. Smith*, 8 Wall. (75 U. S.) 1, 11-12 (1868), which was a suit on a contract executed in Confederate territory during the war and based upon payment in Confederate currency. The court upheld the issuance of the currency in finding the contract valid, saying that:

"As contracts in themselves, except in the contingency of successful revolution, these notes were nullities; for except in that event, there could be no payer. They bore, indeed, this character upon their face, for they were made payable only 'after ratification of a treaty of peace between the Confederate States and the United States of America.' While the war lasted, however, they had a certain contingent value, and were used as money in nearly all the business transactions of many millions of people. They must be regarded, therefore, as a currency, imposed on the community by irresistible force.

"It seems to follow as a necessary consequence from this actual supremacy of the insurgent government, as a belligerent, within the territory where it circulated, and from the necessity of civil obedience on the part of all who remained in it, that this currency must be considered in courts of law in the same light as if it has been issued by a foreign government, temporarily occupying a part of the territory of the United States. Contracts stipulating for payment in this currency, cannot be regarded for that reason only, as made in aid of the foreign invasion in the one case, or of the domestic insurrection in the other. They have no necessary relations to the hostile government, whether invading or insurgent. They are transactions in the ordinary course of civil society, and, though they may indirectly or remotely promote the ends of the unlawful government, are without blame, except when proved to have been entered into with actual intent to further invasion or insurrection. We cannot doubt that such contracts should be enforced in the courts of the United States, after the restoration of peace, to the extent of their just obligation."

41. (See Colby, *supra*, note 1, at 160.)

In *Mechanics' Bank v. Union Bank*, 22 Wall. (80 U. S.) 295 (1874), the Court described the regulations of the commanding general who occupied Louisiana during the Civil War, first permitting and then forbidding the circulation of Confederate currency, without any suggestion that such regulations were beyond his powers. The case turned on the effect of these currency regulations

on the payment of private debts. In *Kelth v. Clark* (97 U. S. 454 (1878)), the Court sustained the validity of state bank notes issued in Confederate territory.

After the World War, Belgium redeemed a large volume of German special occupation marks, an especial francs backed by occupation marks, although the backing for the currency had depreciated considerably.

42. (League of Nations, *Currencies After the War* (1920), 13; Feilchenfeld, *International Economic and Financial Law of Belligerent Occupation*, sec. 125-26; von Kohler, *Administration of Occupied Territories*; Belgium (Tr. C. E. I. P., mimeo., 1942), 130-42; Polansky, *German Administration in Belgium*; Fauchille, *Droit International Public*; White, *op. cit.*, supra, note 26.)

Germany finally agreed to reimburse Belgium, in 1920, when Belgium made

43. (Treaty of July 18, 1920, 104 League of Nations Treaty Series 202, 205.)

it a condition of its acceptance of the Young Plan for refinancing reparations.

44. (Report of Committee of Experts on Reparations (Fed. Res. Bull., July 1929), 26-27, 31.)

However, the treaty provided that it was not to be construed as a concession by either part of the justice of the other's position. In any event, it is not clear whether Belgium challenged the power to issue currency, or based its claim on the depreciation of the security behind it. Thus, the 1929 treaty can hardly be considered a precedent on the power to issue occupation currency under international law.

45. (Nussbaum, *op. cit.*, supra, note 6, at 159-61.)

From these cases we may conclude that the little precedent available seems to accept the issuance of currency as a normal incident of military government, and no authoritative condemnation of the practice has been found.

The broad authority of an American commanding general in the field can be seen from a recent opinion of the Attorney General holding that the statutes governing procurement of Army supplies here are wholly inapplicable to purchases abroad in a theatre of operations. He said:

"It is unthinkable that the Congress attempted, by statutory restrictions, to abrogate this rule of military necessity, to handicap commanding generals waging war on foreign soil, to limit or encroach upon the power of the President as Commander in Chief to conduct, through his subordinates, military campaigns abroad" (40 Ops. Atty. Gen. No. 56 (Nov. 12, 1942)).

(c) The issuance of currency in Sicily was a necessity for the maintenance of "public order and safety," as well as for the support of military operations.

The use of currency in some form and in adequate quantities is a necessity for the maintenance of modern everyday economic life.

46. (Id. at 160.)

To use the domestic currencies of the occupying powers for circulation in occupied territory would entail many practical disadvantages which would make the promotion of normal economic life difficult. In the case of Sicily, the occupation was carried out by American, British, and Canadian troops, and the use of the currencies of the three countries alongside of the existing Italian lire would have created a very complicated economic situation which would make commerce and trade difficult to maintain.

The occupying power has a duty under The Hague Convention to maintain public order and safety, which, in a general way, means that it must maintain local government.

47. (Here, again, the Hague Convention is only declaratory of the accepted law. 2 Hyde, *op. cit.*, supra, note 1, at 866; Colby, supra, note 1, at 152 ff.)

It also has a right to exact a measure of tribute for the continued conduct of the war.

48. (President Polk, in a special message to Congress on February 10, 1848, dealing with the Mexican War, said:

"No principle is better established than that a nation at war has the right of shifting the burden of itself and imposing it on the enemy by exacting military contributions. The mode of making such exactions must be left to the discretion of the conqueror, but it should be exercised in a manner comfortable to the rules of civilized warfare. The right to levy these contributions is essential to the successful prosecution of war in an enemy's country, and the practice of nations has been in accordance with this principle. It is as clearly necessary as the right to fight battles, and its exercise is often essential to the subsistence of the Army."

7 Moore, *op. cit.* *supra* note 1, at 285-86.)

The expenses of administration, as well as the expenses of the army, may be imposed upon the inhabitants by the collection of normal taxes, and the collection of extraordinary taxes called contributions.

49. (2 Hyde, *op. cit.*, *supra*, note 1, at 868-73; Colby, *supra*, note 1, at 162.)

Obviously, unless the occupying power is fortunate enough to seize the local government treasury, it must either advance money for the conduct of local government, or somehow induce the tax collectors to get to work immediately, while all governmental employees, including themselves, wait for their pay until enough taxes are collected to meet the daily expenses of local government. The Hague Convention expressly recognizes the right to requisition goods and services and to give a receipt, while postponing payment.

50. (This, too, was accepted as proper before the Hague Convention. 2 Hyde, *op. cit.*, *supra*, note 1, at 373-74, 382-84; Colby, *supra*, note 1, at 163-64.)

Surely there would be no objection to giving a negotiable receipt for the services of these employees, and even less objection to going a step further and issuing currency, which is even more freely negotiable. The needs of military operations, involving such immediate matters as the purchase of supplies and the procurement of lodgings, as well as the longer-range objective of mobilizing the economy of the occupied territory in support of further military operations,

51. Colby, *supra*, note 1, at 164 ff.)

on the one hand, and the duty of maintaining local government to insure "public order and safety," as required by the Hague Conventions, on the other hand, would permit the use of a currency medium which is at once simple, understandable, and immediately available to all concerned for the reestablishment of normal economic life.

It may be argued that the issuance of a new form of currency violates the provision of the Hague Conventions requiring that the occupying power respect "unless absolutely prevented, the laws in force in the country." It is perfectly clear that at some stage of an extended occupation the occupant would be "absolutely prevented" from respecting all of the Italian laws relating to currency. Surely the complicated restrictions on foreign exchange transactions provided by Italian law for many years would hardly permit free use of American or British currency. Moreover, the Italian currency available must be replaced in the normal course of affairs as it wears out. Some new currency must be provided.

The responsibilities of the occupant would certainly permit his superseding Italian currency laws in order to carry out his paramount duty of maintaining public order and safety.

52. (Nussbaum, *supra*, note 6, at 160.)

The currency policies deliberately followed by the Axis in retreat were designed to make the maintenance of "public order and safety" by the Allied powers as difficult as possible. The variety of forms of economic sabotage which the Germans might use is illustrated by the seemingly opposite practices followed in Tunisia and in Sicily. In Tunisia, the Germans distributed Bank of France notes on a grand scale, increasing wage rates to some classes of employees many-fold, patronizing the black market freely, and paying collaborators lavishly. It was necessary for the French-African Government which took over civilian affairs after the expulsion of the Germans to call in the Bank of France notes against a limited exchange for Bank of Algiers notes, and to use this demonetization of the Bank of France notes as an administrative mechanism for scrutinizing the profits of collaborators and for other economic measures designed to counteract the inflationary practices of the Germans.

In Sicily, on the other hand, the Axis presented us with a different and equally disorganizing practice. For some months prior to our invasion, Italian currency had been becoming progressively more scarce, evidently because of a deliberate government policy to reduce the volume of currency even to the point where ordinary commercial activities became difficult. In Sicily, Mussolini went even further and ordered the banks to destroy stocks of currency by burning before the Allied troops arrived. Although the order was not carried out uniformly, currency stocks were found to be substantially depleted to the point where additional new currency was urgently needed for immediate use to permit the resumption of normal commercial activity. Thus, both the forms of currency sabotage used by the Axis as part of its program of economic warfare were successfully

counteracted by the availability of Bank of Algiers notes in the case of Tunis, and of Allied Military Currency in the case of Sicily. Certainly this kind of economic scorched earth policy would "absolutely prevent" our military authorities from attempting to rehabilitate economic life in terms of the preoccupation laws of Sicily. Thus, the Axis practices made a ready supply of new currency even more essential than otherwise, and provide a complete justification for the use of such currency under the test of the Hague Convention.

(d) The justice of the currency arrangements instituted by an occupying power must be judged by the substance and not the form of currency used.

The Germans were roundly criticized during the First World War, and again in this war, for introducing occupation marks and similar currency devices. To place our military currency in the same category is to look to the form and not the substance. Currency is a convenience and a mechanism for economic life. It must obviously be made available by an occupying power, whether in one form or another. The issuance of new currency, or the circulation of the domestic currency of the occupying power, or the seizure of the retreating government's plates and the continued printing of its currency, or the control of the management of the local banks of issue in such a way as to accomplish the aim sought in a more conventional form, are all the same in substance, and should not by themselves be judged just or unjust.

The vice of the German practice is not in the use of currency, but in the excessive issue of valueless currency as a device for stripping the occupied area of its goods and its labor for the benefit of Germany.

53. (Id. at 161 (as to the First World War Practice).)

We do not plan to follow any such practice in Sicily, or, indeed, in any other occupied country. We shall undoubtedly supply the inhabitants with more goods than we take from them, and our whole aim will be to improve economic conditions in occupied areas, rather than use those areas for our own benefit. Our announced program is one of relief and rehabilitation rather than one of exploitation.

As long as the wealth of the occupied territory is not impaired, and is, in fact, enhanced by our military occupation, through a net gain in useful goods, the currency is protected against the real inflation Germany is imposing by draining off economic wealth.

As long as we follow sound policies of taxation in the occupied territory, and protect the economic structure against price inflation, we will maintain the value of the currency against any depreciation due to internal causes. Thus, in carrying out a wise and beneficent occupation we go far beyond the requirements of international law.

III. The appropriation accounting procedure used by the Army in connection with the issuance of military currency is fully adequate to safeguard the control of Congress over the size of military appropriations.

Simultaneously with the issuance of AM currency in Sicily, the Army set up an appropriation accounting procedure to insure against the possibility that the issuance of such currency would have the effect of increasing the Army's appropriation beyond that provided by the Congress. The procedure used is to debit the Army's appropriation in an amount equivalent to all military disbursements made in AM currency, such as payment of wages to troops and purchases of supplies. No similar debit is made in the case of disbursements of AM lire for purely local government purposes, such as payment of local government employees and maintenance of hospitals, schools, etc. The amounts thus debited against the appropriation are set up in a special suspense account in the Treasury and will be available in connection with any final settlement of financial responsibility for the AM currency. It is understood that the British Army and Treasury are following a similar procedure.

Expenditures of the Army in Sicily accomplished with AM currency are of two distinct kinds, military expenditures proper, such as those which the Army would incur if the same troops were being maintained and supplied in the United States or in a friendly foreign country, and civilian expenses necessary to maintain local services for the Sicilian population until reasonably normal conditions can be restored there. The military expenses proper might, in turn, be differentiated as between the cost of maintaining the forces needed to maintain order and protect our occupation of Sicily, and the expenses involved in waging war from Sicilian soil on Germany proper or German-occupied territory.

All of these expenses could probably be charged to the local population under international law. The expenses of local government are, of course, paid

for by the collection of local taxes, and doubtless as soon as order is fully restored and normal life reasonably reestablished, such taxes will be collected and should be adequate to maintain governmental services without recourse to any further issue of military currency. International law also recognizes the right of an occupying power to levy contributions on the occupied territory for the support of the armies of occupation, and for further military offensives as well.

54. (See discussion, *supra*, notes 47-51.)

Whether and to what extent we may, in the postwar settlement, demand occupation costs and financial contributions to other military expenditures is a question which the device of military currency conveniently leaves for future settlement. From an appropriation accounting point of view, the Army has followed the most conservative procedure, and is debiting its appropriation accounts in the full amount of all military expenditures, whether or not all or any part of such expenditures will later be charged to the Italian people. Thus, while the Army might have assumed, with ample justification in international law, its right to support itself off the occupied country, it chose to adjust its accounting in such a way as to reflect the highest possible degree of respect for the power of Congress to limit military appropriations.

It cannot be supposed that Congress intended that advances which might be necessary for local governmental expenses in the disorganized period immediately after occupation of hostile territory by our troops be met out of military appropriations. In previous wars, American military commanders in occupied territory promptly took charge of customs receipts and other tax revenues which they used to maintain local government.

55. (See cases cited, *supra*, at 3-6.)

In the light of this universal practice, and in the light of our unquestioned right to continue it under the Hague Conventions, we must assume that Congressional appropriations were granted to the Army for military operations, and with the understanding that the maintenance of civilian government in occupied areas would not have to be paid for out of such appropriations. While it might be argued as strongly that a considerable part of military expenditures proper in Sicily could likewise be charged to the population there without any debit to the military appropriation, the Army has followed the most conservative possible accounting procedure and has debited its appropriation in the full amount of all military expenditures.

Therefore, it is my opinion that the appropriation accounting procedure instituted by the Army in connection with the issuance of AM currency clearly recognizes the right of Congress to limit military expenditures, and is well designed to keep such military expenditures within the appropriations voted.

IV. The use of military currency is a convenient method of meeting immediate needs for a circulating medium while avoiding commitments which might prejudice ultimate settlement of financial accounts with our enemies and our Allies.

The Sicilian operation involved at least three Allied armies, the American, the British, and the Canadian. The distribution of the costs incurred during the military operation as between the three governments, and the question of ultimate financial arrangements with Italy, present difficult problems which must finally be cleared up in a general over-all postwar settlement which will involve the participation, insofar as the United States is concerned, of the legislative and executive branches of the Government.

The army, in the course of its military operations, must make decisions which, to greater, or less extent, may commit us in our final postwar negotiations. In recognition of the subordination of the military to the civilian in our form of Government, the Army attempts to hold such commitments to the minimum so as to prejudice as little as possible the final settlements which our civilian authorities must make.

The use of military currency provided an excellent device for assuring the smooth operation of the financial measures necessary to our military occupation of Sicily, while at the same time leaving wholly open for future settlement by the legislative and executive civilian officers of the Government the ultimate financial responsibility of the several parties involved. Thus, economic life can go on in Sicily, using the military currency as a medium of exchange pending settlement by the Governments involved, which will necessarily include provision for the ultimate redemption of, or responsibility for, this currency.

Thus, insofar as our internal government relationships are concerned, the use of military currency provides the most feasible method for carrying out immediate military plans while leaving all the final financial settlements to the proper civilian authorities.

DECEMBER 23, 1943.

Secretary MORSETHAU.

Mr. PAUL.

Re: Authority to establish military government in "Allied" territory recaptured from the enemy, to issue military currency and to place on such territory the costs of occupation.

In connection with the Allied invasion of Sicily and Italy, consideration was given to a number of problems relating to the legal aspects of certain financial, economic, and fiscal activities of the Allied Military Command. The memoranda exploring these subjects dealt with the authority, under established principles of international law, of occupying armies to assume powers of government over enemy territory.

It was shown that the text writers, the courts, and the usage of nations, recognized that the military occupant of enemy territory possessed all the powers of a de facto government and that the commander, not only had the right and power to perform all the acts necessary to govern the area, but also the duty and responsibility of exercising those powers to assure the normal functioning of the area to the extent consistent with his own military requirements.

1/ (2 Oppenheim, *International Law* (6th Lauterpacht ed. 1940) 336-50; 2 Hyde, *International Law* (1922), 861-86; More, *International Law Digest* (1906, 45-51; 7 Id. 257-315; Hall, *International Law* (8th Higgins ed. 1924), 553-70; Lawrence, *The Principles of International Law* (7th Winfield ed. 1923), 408-30; Birkhimer, *Military Government and Martial Law* (3rd ed. 1914), 21-369; Spaight, *War Rights on Land* (1911), 320-418; Colby, *Occupation under the Laws of War* (1926), 26 Col. L. Rev. 146.)

Also, it was shown at length that the issuance of military currency is an appropriate and accepted device to be utilized by the occupant in support of military operations and as a means of maintaining the economy of the area.

2. (Memorandum of Sept. 24, 1943, re "Opinion on the Legality of the Issuance of AMG Currency in Sicily.")

The problem to be discussed in this memorandum is twofold: (1) To what extent, if any, is the right to set up a military government and to issue military currency restricted or modified by the fact that the area over which control has been obtained by force of arms is not an enemy area in the conventional sense, but is an area such as France or the Netherlands which constitutes enemy territory only because it has been conquered and is occupied by a common enemy; and (2) may the costs of occupation be placed upon such occupied territory.

3. (Although technically a distinction may be made between an area whose government-in-exile is fully recognized by the United States and Great Britain, such as the Netherlands, and an area whose government is only partially recognized by the United States and Great Britain, such as Metropolitan France, this distinction has no effect on the rationale or conclusions reached in this memorandum.)

The discussion here has been couched in terms of the ultimate incidents of the burden of occupation costs rather than in terms of the redemption of the particular currency issued. This was done because the question of occupation costs is the broader one and encompasses, among other things, the redemption of the particular currency used during the occupation. In the final analysis the ultimate burden of the occupation does not depend on the nature of the currency employed or upon who redeems such currency, but depends rather on other broad policy determinations. In view of the fact that ultimate costs can be controlled in other ways, it is more helpful to speak in terms of the obligation to pay occupation costs than in terms of the redemption of the occupation currency issued which is merely a mechanism or vehicle for shifting temporarily a portion of such costs.

On the basis of the analysis of the applicable principles of international law as found in texts, cases, and in past dealings between nations it is submitted that the questions posed above may be answered as follows:

(1) The right to establish a military government possessing the power to issue military currency in Axis-occupied Allied territory is as broad and plenary as the right to set up such a government in the territory of the enemy proper; and

(2) Where there is right to occupy there is the right to assess the costs upon the territory occupied irrespective of whether the particular territory is owned or merely controlled by the enemy.

The foregoing answers are premised on the basic assumption that under international law the Allied military authorities have the right to invade and occupy Axis-held Allied territory. The soundness of this assumption may not be seriously questioned. It is fundamental that a belligerent in wartime may seek out the enemy and occupy territory controlled by the enemy, irrespective of whether such territory was owned or merely controlled by the enemy and regardless of whether such territory was the enemy's homeland or merely former territory of the belligerent or its allies which had been seized by the enemy during the course of the war.

4. (2 Hyde, op. cit., supra, footnote 1, sec. 598, p. 101. 2 Oppenheim, op. cit., supra, footnote 1, sec. 71, pp. 188-91.)

The theoretical explanation of this universally accepted doctrine revolves about the concept of "region of war," which region is said to be "that part of the surface of the earth in which the belligerents may prepare and execute hostilities against each other."

5. (Oppenheim, op. cit., supra, footnote 1, sec. 70, p. 187.)

Discussing the extent of the region of war, Oppenheim states:

"The region of war depends upon the belligerents. For this reason, every war has its particular region, so far, at any rate, as the territorial region is concerned. For besides the open sea, and all such territories as are yet not occupied by any State (which are always within the region of war), the particular region of every war is the whole of the territories and territorial waters of the belligerents. \* \* \* [Italics supplied.]

6. (Id., sec. 71, p. 188.)

It will be noted that under the foregoing concept practically all of Europe would be part of the "region of war" and thus subject to belligerent occupation. Moreover, neutral countries whose territory is violated becomes at once a part of the region of war.

7. (As rationalized by Hyde:

"If a neutral possesses neither the power nor disposition to check warlike activities within its own domain, the belligerent, that in consequence is injured or threatened with immediate injury would appear to be free from the normal obligation to refrain from the commission of hostile acts therein. \* \* \*

"The obligation towards the neutral not to undertake such a movement would, for the time being, be inapplicable, by reason of its own weakness or indifference."

2. Hyde, op. cit., supra, footnote 1, sec. 887, pp. 788-789. See also Edmunds, *The Lawless Law of Nations* (1925), pp. 400-401.

Rodick in his treatise entitled *The Doctrine of Necessity in International Law* states the proposition quite forcefully. He declares:

"Thus, for example, if a belligerent violated the territory of a neutral, and if the neutral were unable to prevent the violation, or expel the belligerent, the other belligerent might enter the territory and take steps to prevent the violation from operating to his military disadvantage."

8. (Rodick, *The Doctrine of Necessity in International Law* (1928), p. 109.

Assuming the right to occupy, the points below discuss and develop the principles and precedents underlying the above stated conclusions.

I. The Right to Establish a Military Government Possessing the Power to Issue Military Currency in Axis Occupied "Allied" territory is as Broad and Plenary as the Right to set up such a Government in the Territory of the Enemy Proper.

From a realistic and practical viewpoint, it would seem clear that the allied commander, as a matter of military necessity, must subject a reoccupied region to military law. Communications and lines of supply must be secured. Railways, highways, telegraph and telephone system and public utilities must be made subject to military control. Lodging may have to be supplied for the troops. If supplies run short, food and equipment must be obtained.

The allied commander's decisions, economic as well as military must not be questioned during the initial stages of the invasion and conquest of enemy-occupied territory. Complete military control will be as essential in the conquest of enemy-occupied territory as it is in enemy territory proper.

9. (The concept of "enemy" and "enemy territory" as developed in the economic field by Congress and administrative agencies, includes, within the meaning of these terms, areas occupied by the enemy and persons residing in such areas. See sec. 2 of the Trading with the Enemy Act, as amended, U. S. C., title 50, app., sec. 2, par. 2 of General Ruling No. 11 issued by the Secretary of the Treasury, to whom the President's authority under secs. 8 (a) and 5 (b) of the Trading with the Enemy Act, as amended, was delegated by Ex. Orders No. 8889, as amended, and No. 9198. See also: Paragraph 8 of Communications Ruling No. 1, issued by the Director of Censorship, to whom certain of the President's

powers under sec. 808, title III, of the Act of December 18, 1941, U. S. C., title 50, app., sec. 618, was delegated by Ex. Order No. 8885.)

In both cases, economic decisions are closely related with the military progress of the invasion and conquest.

International law, in accepting the doctrine of military necessity, draws no distinction between the invasion of enemy territory proper, such as Italy, and "Allied" territory occupied by the enemy. It recognizes that limitations on the authority of the military commander might equally endanger military success in both situations. "Allied" enemy-occupied territory may be as well or better mobilized to resist invasion than enemy territory proper.

The fundamental reasons advanced by the international law writers as bases for the establishment of a military government of belligerent occupation apply as cogently to the instant case as to one of occupation of enemy territory proper. The first of these is succinctly phrased by Hall, who writes:

"\* \* \* the right of occupation may be placed upon the broad foundation of simple military necessity."

10. (Hall, op. cit., supra, footnote 1, p. 559.)

The Supreme Court states similarly:

"Martial law is the law of military necessity in the actual presence of war."

11. (United States v. Diekelman (1875), 92 U. S. 520, 526.)

If military necessity demands, many of the attributes of a belligerent military government may be exercised in other than enemy territory. Thus, for instance, the international law writers state that military necessity may authorize the exercise of such rights in neutral countries in those situations in which the belligerent has a right to occupy the neutral country.

12. (2 Oppenheim, op. cit., supra, footnote 1, sec. 71, p. 101. See also: 2 Fauchille, *Droit International Public* (Paris 1921), par. 1207, p. 281; Spaight, op. cit., supra, footnote 1, p. 343; Ariga, *La Guerre Russo-Japonaise* (Paris (1908), pp. 55-56.

In neutral Korea during the Russo-Japanese War of 1904-1905, the Japanese seized control of the telegraph system and Russian state-owned property and suppressed anti-Japanese espionage activity. During the same war, the Japanese exercised the right of requisition in neutral Manchuria.

13. (Takahashi, *International Law Applied to the Russo-Japanese War* (1908), pp. 260-261; Ariga, op. cit., supra, footnote 12, p. 397; Lawrence, op. cit., supra, footnote 1, pp. 424-428; 2 Fauchille, op. cit., supra, footnote 12, par. 1174, p. 241. 2 Oppenheim, op. cit., supra, footnote 1, p. 547, footnote 4. For discussion of allied occupation of neutral Greece in World War I, see Villari, *The Macedonian Campaign* (London, 1922), pp. 25, 82, and 86; Rodick, op. cit., supra, footnote 8, pp. 118-119; 2 Garner, *International Law and the World War* (1920), pp. 241-255; for discussion of United States occupation of neutral Luxembourg in World War I, see 2 Hyde, op. cit., supra, footnote 1, sec. 887, pp. 700, 701; and for discussion of United States occupation of eastern Siberia from 1918 to 1920, see Gabriel, *American Experience with Military Government* (1943), 37 *Amer. Political Science Review*, 417, 421 et seq.)

The second reason advanced by the international law writers as a basis for the establishment of a military government of belligerent occupation is phrased by Oppenheim as follows:

"\* \* \* (The occupant) has the duty of administering the country according to the existing laws and existing rules of administration; he must insure public order and safety, \* \* \*

Spaight confirms this dual justification for a military government of belligerent occupation:

"The occupant's rights are double-based, resting on necessity for providing some established government in a country which is shut off from its ordinary fount of justice and spring of administration and secondly on the military interests of the occupying belligerent himself. He assumes the reins of government because, otherwise, government there would be none, and such a condition of things would be an evil both for himself and for the population."

15. (Spaight, op. cit., supra, footnote 1, p. 322. See also 2 Oppenheim, op. cit., supra, footnote 1, sec. 166, p. 839.)

The same reasoning that supports the establishment of a military government of belligerent occupation in enemy territory proper also supports its establishment in "Allied" territory from which the enemy has been ejected by force of arms. The security of the invading troops is endangered as much on the invasion and reoccupation of "Allied" territory under the control of the enemy as it is during the invasion and occupation of enemy territory proper. Therefore military necessity requires that the commanding general act energetically to protect his troops. Furthermore, the duty of the commanding general to insure public order and safety is certainly as great in friendly territory rescued by force of arms

from the enemy as it is in enemy territory proper. The lack of realism in any other conclusion is clearly recognized by Ariga, whom Spaight quotes as authority for the following statement:

"The right of an army \* \* \* to promulgate martial law and to establish military tribunals applies not only to an army operating in a hostile country but also to one operating in a neutral or an allied country which circumstances have made the theater of war; for two reasons. First, an army must be in a position to safeguard itself by having suitable laws for that end in force; secondly, even if the existing laws are sufficient, the local tribunals may not wish, or may be unable to apply them for the protection of the occupying troops. It was for this reason that Japan established and enforced martial law in Manchuria (a province of a neutral country, China), and in Korea (an allied country)."

16. (Spaight, op. cit., supra, footnote 1, p. 343.)

The military occupation of the South by the Union troops during the Civil War raised many legal problems closely related to the ones being considered in this memorandum. The objective of the Federal Government in the Civil War, as stated by the Supreme Court, is similar to that of the eve of the invasion of Nazi-occupied Allied territory.

"The object of the National Government, indeed, was neither conquest nor subjugation, but the overthrow of the insurgent organization, the suppression of insurrection, and the reestablishment of legitimate authority. But in the attainment of these ends, through military force, it became the duty of the National Government, wherever the insurgent power was overthrown, and the territory which had been dominated by it was occupied by the National forces, to provide as far as possible, so long as the war continued, for the security of persons and property and for the administration of justice.

"The duty of the National Government, in this respect, was no other than that which devolves upon the government of a regular belligerent occupying, during war, the territory of another belligerent. It was a military duty, to be performed by the President as commander in chief, and intrusted as such with the direction of the military force by which the occupation was held."

17. (The Grapesot (1869), 9 Wall. 129, 132.)

The Supreme Court has frequently sustained the legality of the Union military occupation of the South. In so doing, it recognized the principle that in time of war a military commander in national territory occupied by insurrectionists has powers similar to those of a military commander invading or occupying territory of a foreign enemy.

In *New Orleans v. Steamship Company*, the Court, in sustaining the validity of a lease of New Orleans property executed during the period of military occupation by an official appointed by the Military Governor of the area, stated:

"Although the city of New Orleans was conquered and taken possession of in a civil war waged on the part of the United States to put down an insurrection and restore the supremacy of the National Government in the Confederate States, that government had the same power and rights in territory held by conquest as if the territory had belonged to a foreign country and had been subjugated in a foreign war. In such cases the conquering power has a right to displace the preexisting authority, and to assume to such extent as it may deem proper the exercise by itself of all the powers and functions of government."

18. ((1874), 20 Wall. 387, 393-394. See also *Dow v. Johnson* (1879), 100 U. S. 158; *Coleman v. Tennessee* (1878), 97 U. S. 500, 517.)

In the Civil War cases the Supreme Court upheld the establishment of a military government of belligerent occupation in the South on the same two international law principles justifying its establishment in a foreign enemy's territory, namely, military necessity and the duty of insuring public order and safety in the reoccupied area.

19. (The degree of hostility of the local population to the occupying forces is only one factor to be considered by a commanding general in determining whether military necessity requires a military government. Thus, irrespective of the temper of the residents of the occupied territory, military government may be necessary because of the proximity of the actual combat area. Similarly, small organized hostile elements in an otherwise friendly population may also make military government a necessity. It is notorious that Norway has its Quislings, France its Laval and Dorlots, Belgium its Degrelles.)

The essential circumstances being present, the same result attaches. The identical principles justify the establishment of a military government of belligerent occupation in "Allied" areas recovered in battle from the enemy.

Once a military government has been established in reoccupied "Allied" territory, the question arises as to the legal authority for the continued existence of such a military government. Such a government may continue until the circumstances justifying its establishment cease to exist. Both the international law writers

20. (Spaight, op. cit., supra, footnote 1, p. 821; Magoon, *The Law of Civil Government in Territory Subject to Military Occupation by the Military Forces of the United States* (2d ed. 1902), p. 18; Birkhimer, op. cit., supra, at footnote 1, p. 368, and the Supreme Court.)

21. (See *Cross v. Harrison* (1858), 16 How. 164, 184-185. In *New Orleans v. Steamship Company* (see supra, p. 8), the lease whose validity was sustained by the Court was executed more than three years after military government had been instituted in the area in which the property was located) agree on this principle.)

As stated by Birkhimer:

"The experience of the United States Government, therefore, but adds to the evidence derivable almost universally from the history of other nations, that military government ceases at the pleasure of him who instituted it upon such conditions as he elects to impose, and that its termination is not in point of time coincident, either necessarily or generally with the cessation of hostilities between the contending belligerents."

22. (Op. cit., supra, footnote 1, p. 368.)

As it is the responsibility of the Allied commander to determine whether circumstances require the establishment of a military government, so is it his responsibility to determine whether these circumstances continue to exist. Moreover, his decision cannot be questioned by the courts.

23. (See *Neely v. Henkel* (No. 1) (1900), 180 U. S. 109, 124.)

This is only natural, as he is responsible for the ultimate success of the military operation, which may be endangered by a break-down in the civilian economy behind the combat zone. Any other rule might have disastrous consequences. Therefore it is for the Allied commander to determine whether the moment for the termination of the military government in a particular area has arrived.

From the foregoing discussion it is quite evident that a military government may be established in "Allied" territory recovered by force of arms from the enemy as well as in enemy territory proper. Manifestly, all the rights, prerogatives, duties, and responsibilities which are inherent in the very nature of a "government" apply to the de facto government set up by the military high command. As an incident to the exercise of its governmental powers such a government may issue military currency when such action is deemed necessary for the support of military operations and the maintenance of public order and safety in the area.

24. (See memorandum of Sept. 24, 1918, re "Opinion on the Legality of the Issuance of AMG Currency in Sicily.")

## II. Where There is a Right to Occupy There is the Right to Assess the Costs.

25. (Article 49 of the Hague Convention of 1907 provides:

"If, in addition to the taxes mentioned in the above Article, the occupant levies other money contributions in the occupied territory, this shall only be for the needs of the army, or of the administration of the territory in question." (Underscoring supplied.) (2 Malloy, *Treaties* (1910), 2269, 2289.)

Although the language of the Convention is not clear on what constitutes the needs of the Army, some light is thrown upon the subject by the Versailles Treaty which indicates at least what the Allied nations interpreted as being properly included in occupation costs. The relevant provision of the treaty states:

"There shall be paid by the German Government the total cost of all armies of the Allied and Associated Governments in occupied German territory from the date of the signature of the Armistice of November 11, 1918, including the keep of men and beasts, lodging and billeting, pay and allowances, salary and wages, bedding, heating, lighting, clothing, equipment, harness and saddlery, armament and rolling stock, air services, treatment of sick and wounded, veterinary and remount services, transport service of all sorts (such as by rail, sea or river, motor lorries), communications and correspondence, and in general the costs of all administrative or technical services, the working of which is necessary for the training of troops and for keeping their numbers up to strength and preserving their military efficiency." (Art. 249 of the Versailles Treaty, 8 Malloy *Treaties* (1928) 8329, 8439.)

Further light is cast on the proper scope of occupation costs in the commentaries of certain international law writers. Westlake (International Law, Part II, 101) indicates that occupation costs should include only the expenses incurred in the occupied area and should not permit levies for the purpose of acquiring commodities in the invader's own country. Provisions for the Army made at home should be borne by the occupant out of his own general resources. Hyde (op. cit., supra, footnote 1, p. 371) expresses a similar thought when he declares that the occupant ought not to be permitted to make levies for the purpose of minimizing the financial burden of the occupying country or to meet the expense of operations undertaken outside of the occupied district. The only official or rather semiofficial comment on what constitutes the needs of the Army within the meaning of the Hague Convention is found in the Report to the Convention from the Second Commission on the Laws and Customs of War on Land, wherein it is stated that it was forbidden to levy contributions for the purpose of "enriching oneself."

(From the foregoing it may safely be assumed that at the minimum occupation costs include all the expenses of the Army incurred in the occupied area during the period of occupation.)

**A. UPON THE TERRITORY OCCUPIED IRRESPECTIVE OF WHETHER THE PARTICULAR TERRITORY IS OWNED OR MERELY CONTROLLED BY THE ENEMY**

The statements of international law writers and jurists and the practice of nations demonstrate clearly that throughout the history of international relations, the costs of an occupation, which is itself justified, may be assessed against the occupied territory. Although this basic principle is practiced universally and is deeply rooted in historical precedent, it is less a rule set down as a guide for the conduct of international relations than it is a description of the actual conduct of nations which has been approved by the jurists and writers and sanctioned by time-honored practice.

In cases of belligerent occupation the right to shift the burden of occupation costs to the territory occupied is well settled law which has been expressly recognized in the United States. In a special message to Congress on February 10, 1848, dealing with the Mexican War, President Polk said:

"No principle is better established than that a nation at war has the right of shifting the burden off itself and impose it on the enemy by exacting military contributions."

26. (7 Moore, op. cit., supra, footnote 1, p. 285.)

Further, the right of an occupying force to collect taxes and duties from the occupied country has been supported by the Supreme Court in *Doolley v. United States*, in which the Court held:

"Upon the occupation of the country (Porto Rico) by the military forces of the United States, the authority of the Spanish government was superseded, but the necessity for a revenue did not cease. The government must be carried on, and there was no one left to administer its functions but the military forces of the United States. Money is requisite for that purpose, and money could only be raised by order of the military commander. The most natural method was by the continuation of existing duties. In adopting this method, General Miles was fully justified by the law of war."

27. ((1900) 182 U. S. 222, 230.)

Finally, the established right of a belligerent occupant to levy occupation costs was codified in the Hague Convention Respecting the Laws and Customs of War on Land, 1907.

28. (References in this opinion are to the Annex to Convention IV, which was concluded October 18, 1907, ratified by the Senate March 10, 1908, ratified by the President February 28, 1909, and proclaimed February 28, 1910. 2 Malloy Treaties (1910), 2269 et seq.)

Article LIII of this Convention authorizes an occupant to take possession of state funds, cash, and realizable securities in enemy territory and also of state stores, supplies, and movable property which may be used for military operations. Article XLIX authorizes the levying of money contributions in occupied territory for the needs of the occupying army and the administration of the occupied territory.

## B. BELLIGERENT REOCCUPATION OF TERRITORY RECOVERED BY SOVEREIGN

Another well-known application of the general rule that where there is a right to occupy there is a right to occupation costs may be found in the cases involving belligerent occupation by the sovereign of territory controlled by insurrectionists. Such cases occurred in connection with the recapturing of certain territory in the South during the Civil War. In the case of *Doig v. Johnson*, the Supreme Court stated in unequivocal terms that New Orleans (part of the United States) was to be considered occupied enemy territory. Speaking of the question of the proper law to apply during the period of such occupation, the Court declared:

"The question here is, What is the law which governs an army invading an enemy's country? It is not the civil law of the invaded country; it is not the civil law of the conquering country; *it is military law—the law of war* \* \* \*." [Italics supplied.]

20. (1879) 100 U. S. 158, 170.)

Although the question of occupation costs as such was not in issue in the Civil War cases, the Court nevertheless indicated its opinion that the general rule of occupation costs was applicable. In *New Orleans v. Steamship Company*, the Court stated:

"In such cases the conquering power has a right to displace the preexisting authority, and to assume to such extent as it may deem proper the exercise by itself of all the powers and functions of government. It may appoint all the necessary officers and clothe them with designated powers, larger or smaller, according to its pleasure. It may prescribe the revenues to be paid and apply them to its own use or otherwise."

30. (1874) 20 Wall. 387, 394.)

The above cases are significant in that they both are expressions of what the United States Supreme Court considered the applicable international law in connection with the status of reoccupied or recaptured territory. In the above cases, United States Courts held that United States territory occupied by the Union Armies could be treated in the same way as strictly enemy territory. It would seem that United States Courts would hold, a fortiori, that the same rule applies where the territory involved is that of a third country.

It is interesting to observe that although the situation described in this category of case is closely related to the reoccupation of Allied territory, the reasoning and language of the courts are precisely that used in the strictly "enemy" cases. However, more important than the rationale, for the purpose of the thesis herein developed is the fact that in this type of case also, there is both the right to occupy and the right to occupation costs.

## C. BELLIGERENT REOCCUPATION OF TERRITORY RECOVERED BY ALLY OF SOVEREIGN

It will be noted that the belligerent reoccupation of enemy-occupied Allied territory is in the category under which would fall such cases as the liberation of France or the Netherlands from German control. This type of occupation is another illustration of the principle that where there is a right to occupy there is the right to occupation costs.

The obligation of the occupied area to bear the costs of the occupation where the occupant was a friendly or allied nation has been recognized from the very inception of international law and from the earliest thinking on such problems. The rationale behind this allocation of financial responsibility appears to be based on the fact that the government of a country which liberates the territory of its ally from enemy occupation is entitled to occupation costs as a reimbursement for the expenses it has incurred quite apart from any right which may be derived as a result of its conquest of the area.

81. (Chapter XIV.)

Grotius discovered in Genesis the earliest known precedent for the theory that an ally is entitled to reimbursement for his costs and expenses. He relates that when Abraham returned to Sodom as victor over the five kings he brought with him spoils captured from the enemy. Among these were goods and prisoners which had been seized by the enemy from the King of Sodom, who was Abraham's ally. Citing the disposition of this matter as a precedent on the question of whether anything may be deducted from that which is restored to an ally after recapture from the enemy, Grotius states:

"Again we are not to attribute to any other cause the arrangement which the king of Sodom proposed to Abraham, that he should restore the prisoners but keep the other things for himself in return for his toll and danger. Abraham, however, being a man not only of pious but also of a lofty mind, wished to take nothing at all for himself; but from the things that were recovered \* \* \* as though by his own right he gave a tenth to God, deducted the necessary expenses, and desired that a share be assigned to his allies."

82. (Grotius, *De Jure Belli ac Pacis* (1646 ed.) Book III, Chapter XVI, sec. 3 (translation of Carnegie Foundation, No. 3, of the Classics of International Law.)

The same reasoning was subsequently expanded by later text writers into the following general principle:

"When the restoration of the property or territory which has been in the captor's possession is accomplished by a party other than the owner, the service of restoration should receive proper acknowledgment as in other cases of service."

83. (Wilson and Tucker, *International Law* (9th ed., 1935), p. 290. Wilson and Tucker assume that where the liberator is an ally the obligation of the liberated territory will probably be spelled out by the terms of the alliance.)

Another case which is valuable as an historical precedent and particularly as an indication of the proper principle of international law applicable to situations such as that under discussion is found in the controversy between Portugal and the Netherlands which arose out of the war with Spain. During the war the Netherlands occupied certain former Portuguese colonies which had been seized by Spain. At the termination of the war the Netherlands refused to restore these colonies. Ultimately the matter was disposed of by an agreement which returned the colonies to Portugal and recompensed the Netherlands for its expenses.

Bynkershoek, whom Chief Justice Marshall described as "a jurist of great reputation",

84. (*The Schooner Exchange v. McFadden* (1812), 7 Cranch 116, 144.)

disapproved of the attitude which had been adopted by the Netherlands Government in the following language:

"\* \* \* When Portugal was restored, her king was entitled to resume possession of place which her allies had taken from the enemy, saving the right of the States-General (the Netherlands) to place a claim for expenses incurred in the occupation \* \* \*."

85. (Bynkershoek, *Questionum Juris Publici, Libri Duo* (1739 ed.), chapter XVI (translation of the Carnegie Foundation, No. XIV of the Classics of International Law.)

Vattel is in complete accord with Bynkershoek. In considering whether a subjugated State may revolt against its conqueror and reassume its former governmental authority, he states:

"If the subjugated State has not yet accepted its new condition of subjection, if it has not voluntarily submitted, and has merely ceased to resist from lack of power, if its conqueror has not put aside his sword in exchange for the sceptre of a just and peaceful ruler, such a State is not really subdued; it is merely conquered and oppressed, and when delivered by the army of an ally, it unquestionably returns to its former condition (sec. 207). Its ally does not become its conqueror; he is a liberator, whom the State is merely under the obligation of recompensing."

86. (Vattel, *Le Droit des Gens, ou Principes de la Loi Naturelle, Appliqués à la Conduite et aux Affaires des Nations et des Souverains* (1758), Book III, Chapt. XIV, Sec. 218 (Translation of the Carnegie Foundation, No. 4 of the Classics of International Law). See also: Ayala, *De Jure et Officiis Bellicis et Disciplina Militaria* (1681 ed.) Libri III, Chapt. 5, par. 1.)

Wheaton in his *History of the Law of Nations* quotes this statement of Vattel with approval.

87. (1845 ed., p. 490.)

A more recent writer, Rivier, supporting the same doctrine, gives a sound if somewhat different theoretical explanation of the principles that the liberated country should bear the expenses of liberation in his *Principes du Droit des Gens*.

88. (2 Rivier, *Principes du Droit des Gens* (Paris 1896), pp. 346-347.)

Referring to the liberation of an occupied state by a non-Allied third power, Rivier writes:

"The liberating power has, moreover, a right to an indemnity; or at the very least to reimbursement for its expenses in accordance with the analogy of the administration of a business.

\* \* \* \* \*

"The right of a third power which has liberated a territory could be brought under the doctrine of quasi contract."

39. (Id. at pp. 40-41.)

An excellent illustration of the fact that the various theories are freely used to support the right to occupation costs, is the case of the United States forces occupying Cuba. In that case the Cubans fought side by side with the United States troops; and both the President and the Congress of the United States made it perfectly clear that this country was not at war with the Cubans and that our forces were an army of liberation.

40. (See *Encyclopedia Britannica* (14th ed.), p. 840; and *Neely v. Henkel* (No. 1) (1900) 180 U. S. 109, 115-116-125.)

Three days before the declaration of the existence of a state of war with Spain, a joint resolution passed by Congress and approved by the President declared the freedom and independence of the Cubans.

41. (80 Stat. 738.)

Nevertheless, on the question of the right to occupation costs for United States troops in Cuba, President McKinley, outlining the conduct which the military forces occupying Santiago de Cuba in the Spanish-American War were to observe, significantly applied to the friendly Cubans the rules applicable to occupied enemy areas.

"While it is held to be the right of the conqueror to levy contributions upon the enemy in their seaports, towns, or provinces which may be in his military possession by conquest, and to apply the proceeds to defray the expenses of the war, this right is to be exercised within such limitations that it may not savor of confiscation. As the result of military occupation the taxes and duties payable by the inhabitants to the former government became payable to the military occupant, unless he sees fit to substitute for them other rates or modes of contribution to the expenses of the government. The moneys so collected are to be used for the purpose of paying the expenses of government under the military occupation such as the salaries of the judges and the police, and for the payment of the expenses of the Army."

42. (7 Moore, op. cit., supra, footnote 1, p. 265.)

Moreover, the propriety of the President McKinley approach was considered and the foregoing statement was quoted with approval by the Supreme Court of the United States.

43. (*MacLeod v. U. S.* (1912), 229 U. S. 416, 426.)

Thus, it is quite evident that there is a respectable body of text writer authority and some case precedents for holding that nonenemy territory recaptured from the enemy by a third party is liable for the occupation costs. What is more significant than the authorities cited is the fact that there is no international law authority in contravention of the views expressed. The factual situation is an unusual one and in the absence of precedents, cases, or text-writer authority to the contrary, reliance must be placed upon the experts in the field, both ancient and modern, who, having considered the question, reached the conclusion that under international law the occupied territory was liable for the occupation costs of an allied government which had driven the common enemy from the territory.

Not only is this result the only one that is consistent with the authorities on the subject but it bears out a principle to which no exception has been found: where there is a right to occupy, there is a right to occupation costs.

#### D. NONBELLIGERENT MILITARY OCCUPATION

Nonbelligerent military occupations are those which take place, often on a friendly basis, and always at a time when the occupant and the territory so occupied are, at least, technically at peace with one another. Such occupations may take place either at the express request of the occupied territory or without its consent as in the case where the occupation is for the purpose of enforcing provisions of a treaty or recovering a debt. This type of case which is distinguishable from the belligerent occupation, with which this memorandum is primarily concerned, is specially valuable in supporting the thesis that where there is a right to occupy there is a right to occupation costs.

There is hardly a more effective argument in support of the proposition that a lawful occupant is entitled to occupation costs than the argument that not only are the theoreticians in agreement but that during hundreds of years nations throughout the world have entered into covenants and treaties which expressly stipulated that the costs of occupation were to be borne by the occupied territory. This constitutes the recognition, in actual practice, that assessing costs against the occupied territory is the proper method of handling the question of occupation costs and that such allocation of financial responsibility is in conformity with the standards by which international relations are governed.

In his book entitled "Des Occupations Militaires," Robin makes an exhaustive study of nonbelligerent military occupations.

44. (Robin, *Des Occupations Militaires En Dehors des Occupations de Guerre* (1942 translation of the Carnegie Foundation).)

Under a chapter headed "Who Is To Bear the Burden of Maintaining the Army of Occupation" he states:

"\* \* \* In the majority of the treaties \* \* \* the cost of maintenance of the occupation forces is, in general, charged against the occupied country. And we find this rule sanctioned not only in the case of the most recent occupations, but also in those we have encountered in examining the ancient law on the subject."

45. (*Id.*, at 207.)

He states further:

"Thus we see that it was only by exception and because of special circumstances that treaties placed the burden of maintenance of the occupation forces on the occupant. In principle (and we have explained why this is so) that maintenance falls up the occupied state."

46. (*Id.*, at 200.)

After reciting instances from antiquity, the middle ages, and modern times, the author continues:

"\* \* \* In the numerous occupations which followed each other in the course of the nineteenth century, with the exception of those which disguise cessations of sovereignty, it has been an almost uniform admitted principle that the maintenance of the army of occupation is incumbent upon the occupied country. We may cite particularly in this connection the treaties of May 10, 1793, and of February 21, March 20, and August 10, 1798, between France and the Batavian, Cisalpine, Roman, and Helvetic Republics; the treaty of March 20, 1801, between France and the Kingdom of the Two Sicilies; the Franco-Prussian convention of September 8, 1801, concerning the occupation of fortified towns along the Oder, the Treaty of November 20, 1816, between France and the Allied Powers; the conventions of February 2 and July 24, 1821, relative to the occupation of Naples and Piedmont by Austria; the Treaty of July 10, 1849, between Denmark and Prussia concerning the occupation of Schleswig by Swedish troops, the Convention of April 22, 1850, between Austria and Tuscany, for the purpose of regulating the terms of the occupation of the Tuscan Duchy by Austrian troops, following the restoration of the Grand Duke in 1849; the Convention of Miramar (April 10, 1864) between France and the Mexican Empire; the Preliminaries to the Peace of Versailles of February 20, 1871, between France and Germany (Art. 4); and the Russo-Turkish Treaty of San Stefano concluded March 3, 1878 (Art. 8), which provided for the occupation of Bulgaria by the Russians."

47. (*Id.*, at p. 261. It may be noted that the author concludes, in the face of this wealth of precedent, that in certain instances costs should be borne by the occupant in the absence of an agreement, because the occupant could, if it had desired, obtained such an agreement from the occupied country.)

Certainly, the fact that the vast majority of treaties which dealt with the subject placed the costs of occupation upon the occupied territory is persuasive as indicating that type of term or condition in a treaty is accepted as the usual and customary way of dealing with the problem. If nations agreed to such terms it can hardly be argued that imposition of such terms by an occupant in the absence of an agreement is a violation of the standards and practices of international conduct. In fact, the consistent practice of nations indicates that such a provision is declaratory of the law of nations.

In summary it may be noted that the rule of thumb that with the right to occupy goes the right to occupation costs is not limited to belligerent occupa-

tions in time of war, but is a standard of conduct which has been recognized and practiced in military occupations of all kinds, for many centuries.

RANDOLPH PAUL.

Mr. O'CONNELL. Quite simply, as Mr. Overby said, there is plenty of support for it both in the textbooks and in the decisions of the court. The proposition is that the occupying authority is the de facto and real government of the territory occupied and as such they not only have the right to deal with economic as well as military problems but also in the sense of a governing body they have the responsibility for dealing with those problems. One of the numerous things with which occupying authorities have to deal is the problem of the exchange and the currency for use in the area occupied.

#### PARTITION OF GERMANY FOR MILITARY OCCUPATION

Senator McKELLAR. Let me ask you this question, if I may. Here was an occupied country that was divided into several parts. One part was occupied by Russia and another part by Great Britain, and another part by the United States, and the currency as I understand it was not issued by us for the territory occupied by Russia, but we turned the machinery over and directed Russia to print this currency for that part. That was not that we had anything to do with it, but when she alone had something to do with it.

Mr. O'CONNELL. I should point out that at the time that decision was made we did not occupy Germany at all. Germany had not been occupied. We were discussing then how we would handle an occupation of Germany when the occupation of Germany had taken place.

Senator McKELLAR. I can see where a nation at war with another occupies the other's territory, that they would have the right regardless of our laws, of the American laws, under the rules of legalized warfare, to issue those currencies. But I do not see that we would have the right to issue currency to a territory which we never occupied and we never have occupied the territory in and around Berlin.

#### DESIRABILITY OF UTILIZING UNIFORM CURRENCY

Mr. O'CONNELL. What I was getting at, and I think that we understand each other, was that at the time the decision was made it was decided by the powers, this Government, the British Government, the Soviet Union Government, and the French Government, that it would be desirable to have a uniform currency for use in Germany when occupied. That decision was followed by the problem which Mr. Overby has described.

I think that I might point out that at the time that it was decided, after it was decided to have one currency, it was only then decided that the currency would be produced in his country. It was only because of the unavailability of facilities for the production of currency in Great Britain and other areas that the decision was made, and they might just as well have decided in the first instance that one of the occupying authorities and not necessarily this Government would produce all of the currency. We had the facilities and we were in better position to do it and we felt that that was the logical way to do it, and the Soviet Government felt for reasons which have been mentioned here that, whatever their validity, it was their position that

they wanted a uniform currency, but they wanted the right to produce the currency which they would use in connection with their occupation of their part or whatever part of Germany they would ultimately occupy.

#### AUTHORITY FOR FURNISHING ENGRAVING PLATES TO SOVIETS

Chairman BRIDGES. You have quoted the general authority for the printing of the currency, but what authority did we have to turn over plates to the Russians which were our plates, and give them the opportunity of printing at will, without limitation, this Allied occupation currency.

Mr. O'CONNELL. As I understand it, there was no particular attention given to a so-called legal problem that might have existed with respect to turning the plates over to the Russians. The decision was made and it was perfectly proper, legally, that there was plenty of authority for the occupying authority or authorities to produce invasion currency; and we felt, and I think it is sound, that incidental to that were such matters as who would produce particular currency.

It might well have been produced in part in all four of the areas, and it seemed to us that the important question was really an international law question: Do the occupying authorities have authority to produce invasion currency? If so, we felt that the question of the actual location of the plate or the plates was one which was perfectly legal.

It might not have been entirely reasonable as looked at now, but it never occurred to us that there was substantial legal doubt about the authority of the Government to turn the plates over.

#### REDEMPTION OF OCCUPATION CURRENCY

Chairman BRIDGES. At the time this discussion was held and this decision was made, was there any discussion on our redemption of this Allied currency?

Mr. O'CONNELL. It was always understood and it was certainly thought that there was no obligation on the part of this Government or the other occupying governments to redeem the currency.

Senator KNOWLAND. Except as it might be in the hands of American troops?

Mr. O'CONNELL. That is something else again.

Senator KNOWLAND. And it was used as a medium of payment of the American troops in Europe, and for that reason we did set an exchange value of the mark on the basis of 10 cents, and paid our troops on that basis, so that we had an obligation certainly to that extent to redeem it.

Mr. O'CONNELL. We may or may not have.

Senator KNOWLAND. What do you mean by that?

Mr. O'CONNELL. We might very properly have paid some of our troops a part of their pay in occupation marks and decided at the same time that they would not be convertible back into dollars.

Senator KNOWLAND. Are not the instructions of the Congress and the law that the American troops shall be paid so much in dollars or its equivalent?

Mr. O'CONNELL. That is true, and we are always prepared to pay our troops in dollars, but we gave them the option of taking a portion of their pay in marks, which was the only currency that was available and which could be spent in the territory.

What I am getting at is the currency, whether it be marks or invasion lira, are essentially currency of the country which is being occupied, and it is not United States currency. It is German currency or Italian currency, issued by the governing authority, as the de facto government of the occupied territory.

#### DISTINCTION BETWEEN REDEMPTION AND CONVERSION

Mr. OVERBY. Senator Knowland, I would like to speak on this subject. I think the distinction should be drawn between redemption in the sense we usually use it, and conversion, which is the transaction that was described here yesterday, and as it was done.

Chairman BRIDGES. Yesterday Mr. Petersen and General Richards were very careful to say "exchange."

Mr. OVERBY. It is "exchange" or "conversion." Might I say that the Army was acting as an international banker during the war. I can perhaps illustrate my point by saying there are now circulating in Germany Allied military marks among the population which under Army rules as now existing cannot find their way into the hands of the troops to be converted back into dollars. As to that currency, this Government as I understand it has no obligation to redeem that. Presumably some future German Government will acknowledge liability for that currency. I think it is in that sense that we have no obligation for redemption.

The decision made for very good reasons for the morale of the troops, and other things, to permit the conversion of local currency back into dollars, is an international banking transaction which I think should be distinguished from the legal obligation of a Government to redeem its currency.

Senator KNOWLAND. My only point was up until the time the barn door had been closed, and the horse had been stolen, and you were long on about \$360,000,000 or \$380,000,000 of these occupation marks or German marks, over what had been appropriated by Congress, up to that time since we were paying our troops in these German marks we certainly had an obligation to the troops to redeem them, as long as they were payment.

Mr. OVERBY. To convert, under the Army rules as then existed.

Senator KNOWLAND. To that extent we gave a value to this German occupation currency that probably of its own merit the occupation currency would not command, since it is backed by nothing, and since the printing presses in the Russian zone are apparently going 24 hours a day and with no limitation.

Mr. OVERBY. We gave the soldiers, sir, the right to convert back into dollars the marks, the Allied military marks, that they wished to convert. They were paid out, some of them originally as pay and allowances to the soldiers by us, and others undoubtedly came from the Russian printing. It was an obligation to convert marks back into dollars rather than to redeem them.

Had we made the decision early in the war to not redeem them or to put in military payment certificates, we would not be discussing today

the redemption question. I just wanted to make a distinction between the ordinary concept of redemption of a currency and what was in fact done in this case, which was a conversion.

If you will permit me, sir, I would like to extend my remarks slightly by saying that the total figure of \$380,000,000 was not of course all Allied military marks. I think it was testified here yesterday that the mark portion of this amounted to \$250,000,000.

#### EXCESS JAPANESE YEN

Senator KNOWLAND. I stand corrected on that.

Mr. OVERBY. And in that connection, sir, I would just like to direct the attention of the committee to the fact that as was testified here yesterday approximately \$75,000,000 of the so-called uncovered long position is Japanese yen. It was also testified that the balance between those two figures and \$380,000,000 was represented by other local currencies. I might point out that in some of these other local currencies in western Europe and Austria and in Japan, you did not have the Russian plate question. The excess portion or the long portion arose even though there were no Russian plates, and even though there were no marks.

The same situation, sir, prevailed in other areas where you did not have the question of the delivery of the plates.

Senator KNOWLAND. The only difference, and I think it is a very fundamental difference, is that as far as Italy is concerned on our long account, through legitimate payment of troops and the troops' desire to convert back into dollars, or perhaps due to a modest amount of counterfeiting that might be going on, we at least knew that the bona fide notes issued in Italy had been issued by the American Government and printed by the American Government.

As far as Germany is concerned, we do not know how many German notes have been produced by the Russian Government, so that you have an entirely different situation in the two countries, and also the testimony yesterday showed that in addition to this \$380,000,000 that we are long on occupation currencies, of which \$250,000,00 was in marks and \$75,000,000 in yen, the Federal Treasury was also responsible or stuck for some \$29,000,000 to France on the troop pay account, and about \$155,000,000 in Italy on the troop pay account.

Mr. OVERBY. I recall the testimony. I just wanted to point out that the problem existed in other areas, and in one of the western European countries in relation to the troops, it was, in my judgment, equal in proportion to the German problem; and in proportion, I say, and not in dollars.

#### PRINTING OF RUSSIAN NOTES WITH THEIR OWN PLATES

Senator GREEN. What would have been the difference in this case if these plates instead of being made by this country had been made by the Soviet Government?

Mr. OVERBY. Well, sir, that would have depended then on what decision was made in the interest of unity again to accept the currency that had been printed by the Russians. I just cannot answer the question.

Senator GREEN. Would it have made any difference in the general outcome?

Mr. OVERBY. Well, sir, it would be my guess that it would not have made any difference. The Russian troops were paid large sums of money in accumulated pay, and if they had been paid in their own produced and printed marks, and if we had had the rule that in the interest of common unity we were accepting those marks also, I would say, sir, that under those conditions the problem might have been of the same scope.

Senator GREEN. It seems to me that the problem would have been just about the same if Russia had been the exclusive maker of the plates or America or they had both made similar plates, is that correct?

Mr. OVERBY. Under the conditions I have indicated, if the agreements had been made to accept these as part of the common-unity and common-currency theory, I would agree that under those circumstances that is right.

#### POLICY DECISION ON UNIFORM CURRENCY

Senator KNOWLAND. Just to clear up that point, because I think it is rather fundamental, it seems to me that the high-level decision that was made on having a unified currency had a lot of merit in it. At that time they had a concept that Germany was going to be operated as one entity, and, as you know, there would be temporary lines of demarcation, but, nevertheless, the economy of the country would flow as one nation. Therefore, the common currency was a perfectly natural decision to make, and I have no fault to find with that decision.

But, once having arrived at that decision, it seemed to me that all of the Allied Powers had an obligation, and ourselves particularly and the rest of them as well, to see to it that there was at least some control or some knowledge of the amount of currency being issued, because as an occupying power under the various conventions that you have mentioned we have an obligation to maintain some kind of an economy there.

Otherwise the American taxpayers are going to have to support an international WPA, so that we have some obligation for the maintenance of an economy. That being so, I do not see how you could hope to maintain a reasonably solvent economy there unless you knew how much your printing presses were printing of paper currency.

Once you surrender your plates to Russia, you lose all control, and, as I pointed out yesterday, it seems to me when you did that you merely put into the hands of the Russians an opportunity for a legalized looting of all of Germany, because they can print currency without limitation and they can distribute it into our zone.

Now, if the Russians were printing their own currency, they could, of course, force the circulation in the Russian zone, but we make it a currency which the German people have no choice about accepting. It is labeled the "Allied military currency." So to that extent we are at least tied in with the Russians and the British in the issuance of what is in fact a worthless paper currency.

As that has a detrimental effect on the entire German economy, it is going to have a detrimental effect on the British and the American zones in Germany. So, for that reason, it seems to me that there was a very fundamental question involved when we surrendered the plates to the Russians without any control whatever as to what they should issue.

Mr. OVERBY. Senator, I think that I stated earlier that I did not know the amount of currency that had been printed by the Russians or that was circulated. I do not know that. Possibly the State Department or the War Department may know. I do not know.

I want to only suggest that if these months of negotiations had been successful to get the Russians to agree to accept a substantial amount, and we were prepared to do so since the general spirit was one of cooperation and the common war effort, if we had given them a substantial amount of currency printed in this country, I suggest the possibility that exactly the same uncovered long position that we are talking about could have arisen as long as we gave our troops the right to convert back into dollars any acquisitions or any holdings they had of local allied military currency.

The Russians under those circumstances could also have paid their troops several months' pay and the Russian troops might have been willing to pay very high, inflated prices for goods that the American soldier had or might have been willing to pay the German economy high prices; and under those circumstances also, sir, I believe the same situation could have arisen. I cannot prove that, of course.

Chairman BRIDGES. But there would have been a limit to it, because we would know then the amount.

Mr. OVERBY. I think, sir, we were prepared to give them substantial amounts which would have exceeded the limit of this position we are talking about.

Chairman BRIDGES. Surely, that is true, but today the sky is the limit. It is just being fed in, even today, into the Germany economy without limitation.

Mr. OVERBY. I do not know, sir, how much the Russians are printing.

#### ULTIMATE EFFECT UPON GERMAN ECONOMY

Senator KNOWLAND. I submit this, Mr. Chairman, that this question of the long position in marks and other occupation currency is only one phase of the problem in which I take it this committee, and this combined committee, has an interest. The other one is the ultimate effect upon the Germany economy and what the ultimate cost to the American taxpayer will be, and what the Appropriations Committee will have to appropriate in the future to help rehabilitate an economy that has been wrecked by printing-press money coming from Russia. So to that extent this question is far larger than merely the long position in occupation marks.

#### CONVERSION OF AMM NOTES BY RUSSIANS

Senator FLANDERS. I would like to inquire whether we have any knowledge of whether and to what extent the Russians are now exchanging invasion marks for local currency, or for their own currency. Have we any knowledge of that?

Mr. OVERBY. Senator Flanders, I do not know. The Treasury Department, I do not believe, has that knowledge. Are you addressing yourself to the question of whether the Russian troops converted mark currency back into rubles? I understand from the testimony yesterday that they did not. Beyond that, as to what the Russians are printing or what they are doing with the currency now, I am sorry,

sir, that I do not know, and to the best of my knowledge the Treasury Department does not know. The State and the War Departments are responsible for occupation policy.

Senator GREEN. In that connection, there was no Allied agreement as to the conversion back by any one nation?

Mr. OVERBY. That was unilateral.

Senator GREEN. It was left to individual decision?

Mr. OVERBY. Yes, sir.

Senator GREEN. America could if it wished convert it and Russia could if it wished, and there was no mutual obligation.

Mr. OVERBY. That is correct.

Senator GREEN. And there is another question that I would like to ask. Someone said something about the fact that they could print paper to the limit of the sky. Could they not make the same accusation against us? America could print paper money to the skies.

Mr. OVERBY. They could make that accusation.

Senator GREEN. There was no limit on the amount that either nation could circulate?

Senator FLANDERS. Are the Russians informed as to the amount of currency printed by us, in circulation?

Mr. OVERBY. I am sorry, I do not know, Senator Flanders. Perhaps the War Department could answer that.

Senator FLANDERS. We do not know, I assume, the amount that they have printed.

Mr. OVERBY. I do not, sir; and to the best of my knowledge the Treasury Department does not.

Mr. O'CONNELL. My information was that the Russians were informed of the amount of invasion currency to be printed. After printing it was turned over to the War Department, and the War Department then sent some to the military commander and it ended up in the hands of the occupying authorities of the British and the French and our Government. So far as I am aware, the Russians have no information beyond the first bit that I have given you.

#### TREASURY NOTICE OF EXCESS MARKS

Chairman BRIDGES. Mr. Overby, when was the Treasury Department first troubled by the reports coming to this country of the excess money being circulated as a result of the printing by the Russians and by the large amounts of redemptions which we were making as a result of the exchanges with our soldiers?

Mr. OVERBY. I understand, sir, that beginning in 1944 and late in 1944, I assume, sir, and throughout 1945 and 1946 we had continuing discussions with the War Department regarding this problem, and we served as you understand only in an advisory capacity in this matter. We had consultations with them and we were aware of the administrative problems they faced, and actually it is my understanding that it was not until after the mass redeployment of troops that we knew the full scope of this problem. From then on steps were taken, and they were described here yesterday, I believe, sir, to tighten the controls, and the first step was currency withdrawal.

Chairman BRIDGES. Did the Treasury Department warn the War Department? Did the Treasury Department take the initiative in sounding a warning to the War Department?

Mr. OVERBY. I think in 1945, sir, the Treasury Department had frequent discussions with them on it. I am not informed in detail on that subject.

Chairman BRIDGES. Now, is there anybody in the Treasury Department today that has personal knowledge of this? You say that Mr. Morgenthau was Secretary of the Treasury, and he actually made these decisions, but is there anybody with the Treasury Department today who actually has first-hand knowledge on the making of these decisions?

Mr. OVERBY. Senator Bridges, you are talking about making the plates available to the Russians?

Chairman BRIDGES. The whole story.

Mr. OVERBY. There is nobody now in the Treasury Department who was in on those discussions, on the delivery of the plates.

#### KNOWLEDGE OF TRANSACTIONS BY FORMER SECRETARY MORGENTHAU

Senator McKELLAR. Outside of the Treasury Department, who knows anything about it?

Mr. OVERBY. Secretary Morgenthau.

Senator McKELLAR. He is the only one; is he?

Mr. OVERBY. I assume that there were other officials.

Senator McKELLAR. Did he act by himself?

Mr. OVERBY. I assume he conferred with other officials.

Senator McKELLAR. You do not know who they were?

Mr. OVERBY. I understand that Mr. White, who was then in charge of international financial work, would know.

Senator McKELLAR. What are his initials?

Mr. OVERBY. H. D. White. He was then, I believe, assistant to the Secretary, and I believe he was in charge in general of the international financial work.

Senator McKELLAR. Was there anyone else? Where is he now, by the way?

Mr. OVERBY. I think he is fortunate enough to be on a vacation at the moment, sir.

Senator McKELLAR. Who else?

Mr. OVERBY. I do not know.

Senator McKELLAR. Do you know who it was? We ought to be able to find out who it was.

Mr. O'CONNELL. Let me say this: I was in the Department at the time and I was not the general counsel at the time, and I did not participate personally in any of the discussions which were involved in this period of 2 or 3 months preliminary to the decisions.

Senator McKELLAR. Who was the general counsel?

Mr. OVERBY. Mr. Randolph Paul was the general counsel.

Mr. O'CONNELL. In this matter as I understand it, having been in the Department for some years, a matter of this sort would probably have been a subject of discussion by anywhere from four to seven or eight people who were on the Secretary's staff in various lines. One of them might have been Randolph Paul, and one of them certainly was Harry White, who was in charge of that Department. The Under-secretary was Mr. Daniel Bell, and I can think of two or three other people who may or may not have participated. Obviously it is the sort of thing which in our office a number of people would have partici-

pated in—the discussions pertaining to the decision. The decision was by the head of the Department, as it must have been.

KNOWLEDGE OF TRANSACTION BY MR. WILL TAYLOR

Chairman BRIDGES. Did Mr. Will Taylor have anything to do with it?

Mr. O'CONNELL. He was probably one of the staff people who worked on the details, as there were five or six lawyers working for Mr. Paul who worked on the legal aspects of the invasion currency problem generally. Mr. Taylor was then with the Department and he is not with the Department now.

Chairman BRIDGES. Where is he now?

Mr. O'CONNELL. I think he is with the International Monetary Fund.

Senator FLANDERS. Mr. Bell is still in town, unless he has gone on a vacation.

Chairman BRIDGES. You say that Mr. White is on a vacation?

Mr. OVERBY. Yes.

Chairman BRIDGES. Is he in the country?

Mr. OVERBY. Yes.

Senator McKELLAR. Are these others, are they on vacation?

Mr. OVERBY. My Bell is president of a bank in Washington, and I presume he takes vacations. Mr. Paul is practicing law in New York City, to the best of my knowledge.

Senator McKELLAR. And Mr. Taylor?

Mr. OVERBY. Mr. Taylor is with the International Monetary Fund in Washington.

Senator FLANDERS. As Secretary Morgenthau is generally supposed to have kept some records, I just mention that fact.

Chairman BRIDGES. We may have to request Mr. Morgenthau's presence down here with some of the records which he is reputed to have taken with him.

Mr. O'CONNELL. All of the records of the Department, or all of the records made at that time, of course dealing with respect to this matter, are in the possession of the Department, and it is that material which Mr. Overby indicated we would compile and submit to you.

Chairman BRIDGES. Now, in our request of the Secretary of the Treasury, we asked to have someone come up here who had personal knowledge of it. We appreciate Mr. Overby coming and Mr. O'Connell coming, but neither one of you have any personal knowledge of the situation. We would like to have the inside story on that and we would like to have the records.

Now, certain data which you have furnished here you have put in the record, and we have requested other material which we will get from other sources. Before we close this we would like to question people with personal knowledge of this deal, and if we cannot get it in other ways we will have to get what the Treasury Department has and then we may have to subpoena Mr. Morgenthau to come down here, as he apparently was the key individual in these deals.

**TESTIMONY OF A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TREASURY DEPARTMENT, WASHINGTON, D. C.**

(The witness was duly sworn by Chairman Bridges.)

Chairman BRIDGES. What is your full name?

Mr. HALL. A. W. Hall.

Chairman BRIDGES. And your title?

Mr. HALL. I am Director of the Bureau of Engraving and Printing.

**ORDERS TO TURN OVER PLATES**

Chairman BRIDGES. The committee would be pleased to hear anything that you have to say that will better inform us on this situation. Specifically we would like to know what orders you got from the Treasury Department and we would like to have copies of those orders; and, secondly, we would like to know how much and how many and what was the value of the occupied currency that you printed; and, thirdly, how you turned it over to the War Department, and what records you kept of it and so on. Will you give us your story, with those questions in mind.

Mr. HALL. We were requested by the War Department, through an order that came through the Secretary's office, to design and engrave and print an invasion currency for Germany. We were not equipped to engrave currency by an engraved process, so that we had to sublet some of the operations to a private contractor in Boston. During the course of the contract we were directed to turn over to the Russian Government copies of original plates that were used in printing the mark currency.

Chairman BRIDGES. Who directed you to?

Mr. HALL. It came from the Under Secretary's office.

Chairman BRIDGES. And who signed it?

Mr. HALL. D. W. Bell.

Chairman BRIDGES. And will you furnish for us the copy of the record directing you to turn those plates over?

Mr. HALL. I shall be very glad to, Senator. The plates and specimens of the ink and a supply of ink, specifications for paper, and a specimen of the currency itself was dispatched to the Soviet Government.

(The information requested is contained in appendix B.)

The shipments of the mark currency were made at various times by representatives of the War Department. They came to the Bureau, and by express shipped it to a point in New York, where it was loaded on a ship.

**AMOUNT OF CURRENCY TURNED OVER TO WAR DEPARTMENT**

Chairman BRIDGES. Why did you turn it over to the War Department?

Mr. HALL. In the Bureau of Engraving and Printing—

Chairman BRIDGES. How much did you turn over to the War Department in marks, and what was their value?

Mr. HALL. Our records are kept on a note basis. I do not have it in mark value. We have it in the number of notes, by denominations. It could be extended into mark value, of course.

Chairman BRIDGES. Will you give us that?

Mr. HALL. Yes; I have a record of that.

Chairman BRIDGES. Do you have it here?

Mr. HALL. I have a record of that here; yes, sir.

Chairman BRIDGES. Will you give it to us now?

Mr. HALL. Yes; there were 532,720,000 notes of various denominations, from one-half mark to 1,000 marks.

Senator KNOWLAND. What was that again?

Mr. HALL. 532,720,000.

Chairman BRIDGES. That is 532,720,000 individual notes?

Mr. HALL. Yes.

Chairman BRIDGES. They had a value of anywhere from one-half mark to 1,000 marks?

Mr. HALL. That is right.

Chairman BRIDGES. You have no record as to the value of those in marks?

Mr. HALL. Well, I could extend the value, Senator.

Chairman BRIDGES. We would like that; the number of marks.

Mr. HALL. I can have the extension here for you.

Chairman BRIDGES. How long would it take?

Mr. HALL. I can have one of the boys back here to do it in a few minutes.

Chairman BRIDGES. Will you do that so that we can have it in the record now?

Mr. HALL. That was shipped at various dates by the War Department to Germany.

#### PHYSICAL RECEIPT OF PLATES BY SOVIETS

Chairman BRIDGES. Now, getting back to the plates you turned over to Russia; how did you physically turn them over to Russia?

Mr. HALL. They were crated, and they were shipped by airplane to Russia. They left here by airplane.

Chairman BRIDGES. Did you put them on the plane yourself, or did you turn them over to the War Department, or how did you do it?

Mr. HALL. They were taken to the National Airport, and the ATC, I think, engineered the loading, and I am not certain whether it was an American plane or not. I think it was an American plane that flew them over.

Senator KNOWLAND. Could we also find out at this point, Mr. Chairman, do you have any of these mark notes left in the Bureau of Printing and Engraving?

Mr. HALL. No, sir; they were all shipped.

Senator KNOWLAND. Are you printing any more now?

Mr. HALL. No, sir.

Chairman BRIDGES. Now, what I am getting at—where was the transfer to Russia made? Was it made here—to the Soviet representatives here—or were they in American hands until they reached Russia and transferred there?

Mr. HALL. I think they were transferred to Russian custody in Washington, but I think Russian officers accompanied the shipment to Russia on the airplane.

Chairman BRIDGES. Did you turn them over to the Russians? Or who did so? I want to find out when the Russians got their hands on the plates.

Mr. HALL. I think it could be said that they took it over at the National Airport when the crates were loaded on the planes.

Chairman BRIDGES. There; representatives from the Bureau of Engraving and Printing turned them over to Russian officials at the National Airport?

Mr. HALL. I was not there, but the Russian officers boarded the planes at that point.

Chairman BRIDGES. Did you get any receipt from them?

Mr. HALL. Yes, sir. I think we have receipts for everything.

Chairman BRIDGES. From the Russians?

Mr. HALL. Yes.

Chairman BRIDGES. And will you produce a copy of that receipt?

Mr. HALL. I am not certain whether we have it; but if we have it, we will certainly put it in the record. We have manifests of the shipments, and whether they signed them or not, I cannot say.

(The information requested is contained in appendix B.)

Senator GREEN. May I ask a question at that point? I understood the witness to say that they had turned them over to the War Department—the notes. Why was there a distinction made between those and the material you sent to Soviet Russia directly?

#### ORDER FOR RUSSIAN MATERIALS ISSUED BY TREASURY

Mr. HALL. The War Department ordered the currency we were printing. The other material was for the Soviets.

Senator GREEN. Who ordered that?

Mr. HALL. That came through the Treasury.

Senator GREEN. The Treasury Department?

Mr. HALL. Yes, sir.

Senator GREEN. You did not turn it over to the Treasury Department to ship?

Mr. HALL. We are a part of the Treasury Department.

Senator GREEN. I mean any other agency.

Mr. HALL. The agency that shipped it was ATC.

Senator GREEN. That was the distinction, then, between the notes and this shipment?

Mr. HALL. Yes, sir.

Chairman BRIDGES. And you will check and make available here a copy of any receipt which you received from the Russians for the transfer of these items?

Mr. HALL. It may not have been signed by the Russians, and it may be signed by the ATC. My mind is not clear on that point.

(The information requested is contained in appendix B.)

#### COST OF CURRENCY PRINTED FOR WAR DEPARTMENT

Senator McKELLAR. How much did it cost to turn over this?

Mr. HALL. To print the mark currency in the United States?

Senator McKELLAR. The whole business.

Chairman BRIDGES. Making the plates and everything.

Mr. HALL. \$844,429.52.

Chairman BRIDGES. Who paid for that?

Mr. HALL. The War Department.

Chairman BRIDGES. And the War Department sent you a check for that amount of money in paying for the whole thing?

Mr. HALL. There were a number of checks—a number of vouchers that totaled that amount.

Senator KNOWLAND. This was just for the German marks, and it has no relation to the French marks?

Mr. HALL. That is all German marks; yes.

Chairman BRIDGES. Will you tell us then the total cost that you have been paid for all occupation currency that you have printed?

Mr. HALL. Japanese and Italian and French?

Chairman BRIDGES. All of it.

Mr. HALL. I can have that prepared for you, Senator.

Senator KNOWLAND. And the amount of the various currencies.

Mr. HALL. We will give you the number of notes by denomination and the total cost.

(The information requested is contained in appendix B.)

Senator TYDINGS. I would like to ask whether the figure of \$800,000 was for Russian marks only.

Mr. HALL. Only for German marks.

Senator TYDINGS. Were they for the marks that went to Russia or the ones that went with the American Army and the other Allies?

Mr. HALL. These were the marks that went to the American Army only, the War Department.

Senator TYDINGS. How much of that amount was chargeable against that part of the marks and plates that were provided to the Russians?

Mr. HALL. The cost of the plates, you mean?

#### COST OF MATERIALS DONATED TO SOVIETS

Senator TYDINGS. You said the whole thing cost eight-hundred-thousand-and-some-odd dollars. Have you got a break-down of how much of that eight-hundred-thousand-and-some-odd dollars was chargeable for that part of the paraphernalia, including bills and plates that went to the Russians?

Mr. HALL. I have not got that broken down, but I can put it in the record.

Senator TYDINGS. Can you give me a substantial estimate of it?

Mr. HALL. I would say in the neighborhood, and I am only guessing, of \$60,000.

Senator TYDINGS. I think that that ought to be clear in the record, because up to this time I was of the opinion that the \$800,000 was chargeable against Russia, and I want to get it straightened out.

Mr. HALL. We gave no notes to the Russians. I am speaking now of the cost of the plates and the ink we shipped over to them.

Senator TYDINGS. You did not make any bills?

Mr. HALL. Not for them.

Senator TYDINGS. So all you sent to Russia was material, so to speak, other than currency?

Mr. HALL. That is correct.

Senator TYDINGS. And in your opinion the total over-all cost of providing Russia with that was in the neighborhood of \$60,000?

Mr. HALL. I am just making a wild guess. It may be more or less.

Senator TYDINGS. Will you put in a correct figure?

Mr. HALL. I will do so.

(The information is contained in appendix B.)

Senator KNOWLAND. I think the Senator means the direct cost of the plates and not the cost of the currency.

#### AMOUNT OF RUSSIAN AMM NOTES REDEEMED BY UNITED STATES

Senator TYDINGS. I would like to ask the chairman, in order that I may be current, if it has been ascertained how many of the Russian-printed marks have been redeemed by America.

Chairman BRIDGES. We have no ground that out. We hope to before we are through.

Senator TYDINGS. I would like to ask one other question: Is there any one person who is in position to give us that answer?

Chairman BRIDGES. It will have to be done by the War Department; but so far, whether there is anybody in a position to give it or not, we have not been able to get that figure.

Senator TYDINGS. The last question is that, up to the moment, no one knows whether it has cost us anything or whether it has cost us a large sum?

Chairman BRIDGES. We know it has cost us something, but we do not know the amount. Let me ask General Richards now, in respect to Senator Tydings' question: Do you know, or does the War Department know, how many of the marks which we have redeemed, or, if you please, "exchanged" for American dollars, which were of Russian origin?

#### TESTIMONY OF MAJ. GEN. GEORGE J. RICHARDS, BUDGET OFFICER, WAR DEPARTMENT—Resumed

General RICHARDS. No, sir; we do not.

Chairman BRIDGES. Is there any way of your ascertaining that?

General RICHARDS. As we indicated yesterday, my understanding is that except for an expert it is very difficult to tell the difference between a Russian-printed Allied military mark and a United States-printed mark.

Now, if the committee wishes, I expect we can set the experts to work over in Europe to try to find out whether they can differentiate between the Allied military mark printed by Mr. Paul and the one printed by the Russians.

#### AMOUNT OF UNITED STATES PRINTED MARKS IN CIRCULATION

Senator TYDINGS. I would like to ask the witness if he can tell us how many American marks have so far been issued and how many American marks so far have been redeemed.

Chairman BRIDGES. In the process of getting from Mr. Hall the number of American marks that the Bureau of Engraving and Printing has done, we will have that here. Can you give that now?

Senator TYDINGS. I do not think I made myself clear. They may be over there and still in a safe-deposit box. What I want to know is: How many have actually been put in circulation?

Chairman BRIDGES. We will get the answer from Mr. Hall first and the number he has printed and distributed.

Mr. HALL. This is the face value or the mark value of the currency printed by the Bureau and shipped by the War Department or turned over to the War Department for shipment. It is 15,216,780,000 marks.

Senator TYDINGS. How much would that be in American money at 10 cents on the dollar?

Mr. HALL. One billion and a half.

Senator TYDINGS. Would you ask how many of those are actually issued, and then we can get to the crux of it.

Chairman BRIDGES. Do you know how many were actually issued?

Mr. HALL. I have no information on that.

Chairman BRIDGES. General Richards, can you answer that?

General RICHARDS. They were turned over to the Army, who transported them to SHAEF, the Supreme Headquarters, Allied Expeditionary Forces, and there were so many boxes of paper, so to speak, taken over there. The Supreme Headquarters, Allied Expeditionary Forces, then issued a portion of those to the French, the British, and ourselves. My understanding is that the portion which we have actually ever issued is, roughly, around \$235,000,000 to \$250,000,000 worth.

#### PAYMENT FOR MARKS PRINTED BY UNITED STATES

Senator TYDINGS. Now, Mr. Chairman, might I ask a question there, of this gentleman here? Did the United States Government pay fully for the printing of these marks or did Britain or France or any other foreign country pay a part of that \$800,000?

Mr. HALL. So far as I know, we received full reimbursement from the War Department, and I think the War Department did collect from the British Government, and they can answer that question better than I can.

#### TESTIMONY OF BRIG. GEN. E. M. FOSTER, ASSISTANT CHIEF OF FINANCE, UNITED STATES ARMY—Resumed

General FOSTER. I am Assistant Chief of Finance. The British reimbursed us for half of the cost of that operation, and we paid the Bureau of Engraving and Printing the full amount, and our appropriation was reimbursed half by the British.

Chairman BRIDGES. Did the French pay you anything?

General FOSTER. No. The Russians did not pay us anything as far as I know.

I have been advised that the French did pay, but I had no record of that.

Senator TYDINGS. The British paid half of it, so that that reduces our bill to \$400,000 instead of \$800,000?

Sentor KNOWLAND. On the gentleman's testimony, General Richards', just now, I understood you to say that \$1,521,678,000 worth of marks had been printed by the Bureau of Engraving and Printing.

Senator TYDINGS. It was not dollars' worth.

Sentor KNOWLAND. Yes; that was face value of marks. And the fact value in American dollars at the exchange rate we gave to our American soldiers was \$1,521,000,000 of American money.

Now, as I understood you, General Richards, you said that we had only issued some \$250,000,000 worth of marks, but we have actually, we are long on marks ourselves, to say nothing of these marks that are in the German central banks, to the extent of over \$250,000,000. So we must have issued considerably larger amounts than merely the \$250,000,000 which came back to us to convert, because they are circulating yet as a medium of circulation.

General RICHARDS. I think the Chief of Finance can take the number which has been issued; similar marks were issued by the British and the same marks issued by the French and the same ones issued by the military government, and we may have redeemed marks and did redeem marks in addition to the number which we issued, to the extent of \$250,000,000.

Senator KNOWLAND. Can we get for the record that amount that was issued, if we have knowledge of it, the amount of the marks that have been printed, that were issued by ourselves, that is the American Army, by the military government and by the British and by the French?

General RICHARDS. We can get that information from the records.

#### AMOUNT OF CURRENCY ISSUED BY ARMY

Senator KNOWLAND. Is this \$250,000,000 that you are speaking of just the amount issued by the United States Army?

General RICHARDS. Yes.

Senator KNOWLAND. You said "military government." What about the amount issued by the military government?

General RICHARDS. I do not have that figure.

General FOSTER. We would have to get that and put it in the record. We only have what was issued to the American Army. We have got some figures together on issues to other governments.

#### PURCHASES OF ARMY IN GERMAN ECONOMY

General RICHARDS. You understand the military government took these marks in addition to reichmarks, and so forth, and went out and purchased things in the German economy for military government, for which the Army has not been responsible.

Senator KNOWLAND. The military government was a joint operation at that time of the British and ourselves, and certainly the Army was a part of the military government operation.

General RICHARDS. The military government has not converted any of those marks, and the extent of our having converted more marks than we issued, we have converted marks which have come in from the British, from the French, and from military government channels.

Senator KNOWLAND. We want to get the total.

General RICHARDS. We will be glad to get them.

Senator TYDINGS. Before you leave that, the 250,000,000, is that marks or dollars?

General RICHARDS. That is dollars.

Senator TYDINGS. Ten times that, or 2,500,000,000 marks, in the value of marks, has been issued, which in American money would be about \$250,000,000?

General RICHARDS. Yes.

Senator TYDINGS. How do you spend this money? How does it get into circulation? What is the process? Just tell us how that happens. What do you buy with it and what do you pay for?

General RICHARDS. The War Department pays for very little. It is a relatively small portion of it, because the cost of occupation is borne by the German government. However, when a soldier is paid or draws his pay at the pay table in Germany, instead of drawing \$10, he draws, or he drew, prior to September 1946, 100 marks. He drew 100 marks and he went out in the German economy and he did as he pleased, or he went to the post exchange and bought himself some cigarettes.

#### PAY OF AMERICAN TROOPS IN AMM CURRENCY

Senator TYDINGS. Now, can you break down, or is it possible to learn from our forces over in Germany, how much was used to pay in whole or in part American troops as a part of their salary or compensation, and how much was used to buy supplies of one kind or another in Germany, and so on, in two or three of the principal categories, so that it comes to my mind—and correct me if I am wrong—that if we had not used these marks, we would have had to use dollars.

General RICHARDS. That is correct.

Senator TYDINGS. I want to get out how much the Government has lost, and if they have used them for something that you had to use dollars for, you have not lost anything. If you used them for some other purpose, that makes a big difference.

#### PAY OF POLISH GUARDS WITH UNITED STATES ARMY

General RICHARDS. Let me illustrate, if I may, along those same lines. There were 30,000 or 50,000 Polish guards on duty with the United States Army, and they were paid in marks, and the marks were gotten from the Allied Military Government, and these Poles were paid.

Senator TYDINGS. Were they a part of our Army?

General RICHARDS. They were displaced persons that we employed over there.

Senator TYDINGS. What did you use them for?

General RICHARDS. Guarding American property, instead of sending over soldiers. These Poles were paid in marks. The Poles had certain privileges at the post exchange and the commissary, and they said, "If you do not give us these privileges, we will not work so well." They were working alongside Americans. These Polish soldiers were given that privilege. They were paid in marks, which in nowise were dollar-backed.

They went into the post exchange during each month and bought \$5 of these marks, not dollar-backed, and \$5 worth of candy and cigarettes. The post exchange had to replace that candy and cigarettes, so they came to the paymaster and reimbursed or got \$5 worth of marks. So the post exchange could come back here to the United

States and buy \$5 worth of candy and cigarettes to again sell and make the whole.

Now, the United States Government itself probably should have paid that \$5 per month, otherwise the post exchange, which is a business organization, would have stood the loss. Now, we went to no redemption of foreign currency. The United States Government paid the Polish guards \$5 to \$10 a month. We used appropriated funds the first year of \$5.

The second year we asked for \$10 out of appropriated funds, so we, therefore, now reimbursed ourselves, whereas in the first case, if you say we are wrong, we come back and say, "All right, we are over in March."

#### REPLACEMENT OF EXCESS MARKS WITH CONGRESSIONAL APPROPRIATIONS

Senator TYDINGS. Here is what it boils down to. As a matter of fact, we appropriated the money to pay these Poles in dollars at the rate of \$5 a month first and then \$10 a month; but instead of that, you paid them in German marks and took the appropriations to supplement the expenditures which were made by the marks?

General RICHARDS. Yes. Part of this \$250,000,000 which we are supposed to be over was involved in that.

#### AMOUNT RUSSIAN CURRENCY REDEEMED BY UNITED STATES

Senator TYDINGS. Who in the Army can tell us how much of this Russian currency was redeemed by American dollars?

General RICHARDS. At the present time, we cannot tell.

Senator TYDINGS. Is there anyone who can tell, or any man who knows or can find out, because that is what we want to know?

General RICHARDS. Here is a little tester. I understand that one of these notes has, as we know, been printed by Mr. Hall, and the other one, I understand, they do not know where it was printed. So, sir, we would like to offer these to determine, if you can, the difference between them.

Senator TYDINGS. One has a dash on it and the other one has not.

#### DIFFERENCE BETWEEN UNITED STATES AND USSR PRINTED CURRENCY

Chairman BRIDGES. When we got into the dash business yesterday there was testimony that when certain replacements of this currency were made, we issued notes with a dash on them identical with the currency of the Russians which have a dash before the serial number. Are you familiar with that, Mr. Hall?

Mr. HALL. What occurred there, Senator, was this. In the process of producing the mark currency in the Bureau, when the note was spoiled, we replaced that note with a note that we call a star note. In United States currency you see a note that has a number and a star preceding it. That is a note that replaced a mutilated note in the process of production. We did not have stars for the numbering machines that we used for printing the mark currency, so we put a dash in front of the number. When we started production on the mark currency, there was a great cry for specimens of the currency.

We always print a supply of the so-called star notes or replacement notes before we get into production of the regular run. So, therefore, the specimen books of the mark currency were made up of the so-called star notes. Those notes that had a number preceded by a dash.

When the Soviets asked for specimens of the currency we printed, we sent them a specimen book which was made up of the star notes, the numbers of which are preceded by a dash. They, I think, presumed that all of the notes that were produced were preceded by a dash, so they put a dash in front of all of their notes.

Now, there are quantities of United States printed mark currency with notes that have numbers preceded by a dash, in circulation; so, therefore, the fact that a note has a dash in front of the number is not prima facie evidence that it is a note printed in Russia. It might have been printed in the United States.

Chairman BRIDGES. But the bulk of them would be printed in Russia even though all of the replacement notes that we printed had a dash on them. Is that right?

Mr. HALL. That is not conclusive, because the Russians may have seen our currency in circulation without the dash, and they may have dropped it. That complicates matters much more.

Chairman BRIDGES. Who issued the order to put the dash on? Is that a standard form of procedure?

Mr. HALL. It is a procedure in numbering currency, to have the replacement note identified by some mark, as I explained a minute ago; on United States currency, we use a star.

We did not have time to make up stars for these new numbering heads, so we just used the dash to distinguish a replaced note from one of the regular run.

Chairman BRIDGES. The dash was not on the plate you sent to Russia?

Mr. HALL. No. That is the final operation in printing the notes. That is not part of the plates.

Chairman BRIDGES. Now, I think we would like to hear from the State Department, and we would like to have you gentlemen stand by, because we will have some more questions we would like to ask.

#### TESTIMONY OF JOHN H. HILLDRING, ASSISTANT SECRETARY OF STATE, STATE DEPARTMENT

Chairman BRIDGES. The next witness is General Hilldring.  
(The witness was duly sworn by Chairman Bridges.)

Chairman BRIDGES. What is your full name?

Mr. HILLDRING. John H. Hilldring.

Chairman BRIDGES. And your position with the State Department is what?

Mr. HILLDRING. Assistant Secretary.

#### PART PLAYED BY STATE DEPARTMENT IN OCCUPATION CURRENCY TRANSACTIONS

Chairman BRIDGES. The committee would be very pleased to have anything which you can throw on this to enlighten the committee on the State Department's position and the part they played in this.

Mr. HILLDRING. Mr. Chairman and gentlemen of the committee, I am here today in response to telegrams addressed the Secretary of State by Senator Bridges, chairman of the Senate Committee on Appropriations. These telegrams express the interest of the Committee on Appropriations, the Committee on Banking and Currency, and the Armed Services Committee of the Senate in the following subjects.

There, Mr. Chairman, in view of what you have already said, I want to explain to the committee my personal status. I do not think I completely fill the bill from the standpoint of the committee, who wanted someone over here, I understand, this afternoon to speak of his own knowledge of the part the State Department played in this.

At the time under discussion, I was not in the State Department, Mr. Chairman. I was a soldier, and I was involved in this business, but in a different aspect of it. I was not in the policy making, but in the execution of policy. So, unfortunately, I must report to you that what I say now is from the evidence that I have been able to glean in the Department in the year and a half I have been in it, and most recently in getting ready for this appearance.

Chairman BRIDGES. Now, General Hilldring, before you go on, may I ask, is there anybody now with the State Department who does have personal knowledge and that we could have up here, not discounting you, because we are glad to have you. But I am wondering if there is someone who does have personal knowledge there who holds a responsible position today.

Mr. HILLDRING. I am required very reluctantly, Mr. Chairman, to tell you in all honesty and sincerity that I do not know anybody in the Department today who, of his own knowledge, can answer the questions that the committee has been propounding here for the last 2 days.

Senator KNOWLAND. You have had as much of a redeployment in the State Department as you had in the Army?

Mr. HILLDRING. That is right, Senator; now, they are still alive, Senator, but they are not in the Department.

Chairman BRIDGES. Then, you tell us, General Hilldring, and I want to make the request of you for the papers that we asked and the memorandum or memoranda that we asked the Treasury Department for, which they said were the property of the State Department.

Mr. HILLDRING. I promise you, Mr. Chairman, that we will declassify all of those and turn them over to the committee.

(The records requested are contained in appendix A.)

Chairman BRIDGES. All right.

Senator McKELLAR. Would it not be well for him to give us the names of those who could give us first-hand information, wherever they may be?

Mr. HILLDRING. Yes, sir; in order to make the list complete, Senator, I have to do a little more reconnoitering. From the records and the conversations of those on the margin, as I said, on the margin of the problem, the Assistant Secretary and the political officer and the political adviser, the Under Secretary, the Secretary, and the officials that I think this committee would like to hear on this subject are completely new. In that strata all of the officials have been replaced.

Senator TYDINGS. Was it war activity, this particular phase?

Mr. HILLDRING. That was a war activity.

Senator TYDINGS. And you have special men called in?

Mr. HILDRING. This was an unusual activity for the State Department, Senator. I will be glad to furnish the committee with the names of the people whom I think know of their own knowledge.

Senator McKELLAR. I wish you would, and their addresses.

Mr. HILDRING. The point I want to make, though, in the interest of the State Department, is: I think that they sent the fellow who knows as much about it as anyone they have over there.

The two questions that the chairman asked us to discuss was the occupation currency policies, procedures and transactions of the Federal Government as determined and administered by the military authorities or other officials within the occupation areas, occupied areas, of Germany and elsewhere; and (2) any agreement or understandings between the Soviet Government and our own Federal Government regulating the issuance, transactions in, and redemption of Allied military currency.

#### DEPARTMENT OF STATE RESPONSIBLE FOR DEALING WITH FOREIGN NATIONS

The Department of State has paramount responsibility within the executive branch of the Government for the establishment of an integrated policy on the part of our Government toward foreign countries, including areas occupied by the United States forces. Administration of our national policy in the occupied areas, as the committee knows already, is the responsibility of the United States military authorities.

Nevertheless, the Department of State has, of course, a continuing interest in the procedures whereby our national policy is implemented, from the standpoint of assuring, in coordination with the War Department and the other interested agencies, that such procedures are of the nature to further the earliest possible accomplishment of the basic aim of our Government, namely, a just and lasting peace.

United States policy regarding the currencies to be used in occupied areas was formulated in advance of military operations, in consultation among the State, Treasury, War, and Navy Departments, and then incorporated in directives of the Joint Chiefs of Staff to the theater commander.

Policy with respect to areas of combined military operations was embodied in directives of the Combined Chiefs of Staff to the respective Allied military commanders. The basic problem was the determination of whether to use dollars or local currency in overseas areas liberated by or occupied by our armed forces. The decision was made to use local currencies or a military occupation currency similar to the local currency in the various overseas areas for the following reasons.

#### NORTH AFRICAN INVASION CURRENCY

I might state parenthetically, and it is not in my record, that that was the decision that was made after we had attempted the use of American currencies. In our invasion in north Africa we stated in that invasion with the use of gold seal dollars. I will not go into the disadvantages of that. It has been recognized by the committee as not being advantageous and it was believed a solid and sound decision

based on our experience in north Africa that we should not in any later expedition utilize the gold seal dollar, America dollar, as a spear-head on occupation currency.

That is a long subject, and I will just do no more than to say that this decision to use the occupation currency was based on our experience with the gold seal dollar in north Africa.

#### GERMANY TO BEAR OCCUPATION COSTS

In the case of Germany, our policy has been to require the German economy to bear the internal cost of the occupation of that country. It would have been difficult to assure this incidence of occupation costs had dollar currency been introduced into the local economy. The introduction of dollar currency would have resulted in the acquisition of dollar claims against the United States by the local population.

Furthermore, it was considered that the use of a different currency by each of the invading forces would have prejudiced the adoption of common economic and financial policies. Difficult as our financial problems have been, they would have been immeasurably more difficult if we had undertaken such a scheme. Therefore, it was agreed, and sensibly I believe, among the occupying powers that a special Allied military mark should be used to circulate at parity with the reichsmark.

The same considerations apply generally to Italy, Austria, and Korea at the time our armed forces entered these countries. Similar considerations regarding the burden of the internal cost of occupation were present in the case of Japan where, however, the indigenous currency was used almost entirely by our occupation forces.

#### AMOUNT OF OCCUPATION CURRENCY PRINTED

Right there, there has been some conversation about the amount of currency we printed. It was a very difficult thing to decide how much currency would be needed by the invading armies. I am not a financial expert, but I did sit, in these days when it was being discussed, along the wall and listened to the learned economists and financial fellows discuss it.

My only intervention in the matter was to be sure that we had enough. We engaged, in my judgment, in false economy in preparation for our invasion of Sicily and Italy. In the interest of saving a little money on the printing of invasion currency, allied military lire in Italy, we ran short of lire in Italy and had to supplement the Allied military lire there with gold seal dollars.

Senator TYDINGS. Which weakened the security and economy of our own country at one and the same time?

Mr. HILDING. Yes. I think it was a responsibility, and it disturbed the mental equilibrium of the Allied commander, of the supreme commander and of his commanders down the line to run out of anything, particularly anything as important as money. We did not run out of money after Italy, in spite of the fact that in some cases we printed a little more than we would judge to be necessary, a year in advance of the time it was needed.

## VOLUME OF CURRENCY FOR EUROPEAN INVASION

Senator TYDINGS. Did that experience have something to do with the volume of money printed for the European invasion in France?

Mr. HILDRING. We did not want to run out of money, Senator Tydings, in Eisenhower's march across France to Germany. The same policy was adopted for different reasons with respect to invaded Allied countries which were liberated by our forces.

An important factor in this was the strong desire of our allies to avoid the introduction into their economies of foreign currencies. I speak notably of France, Belgium, and Holland. They did not want us to introduce dollars or any other currency into their countries. They wanted francs and guilders and their own currencies introduced.

Furthermore, it was considered that the use of local currencies would involve a minimum of disturbance to the local economies, a factor of considerable importance to our military commanders, who were concerned with avoiding disorder and economic break-down behind their lines.

Also, dollar currency then used in liberated countries might have found their way into enemy hands, the element of risk in this regard being especially high in military operations such as our overseas invasions.

Finally, when Allied forces were composed of troops of more than one nationality, fighting side by side, it was desirable that they should employ and be paid in the same currency. During the combined U. S.-U. K. military planning for the Normandy invasion in the winter and spring of 1944, it was decided by the United States and the British Governments that the combined military forces would use legal tender, German mark currency, for their expenditures in Germany.

In order to be prepared for any eventuality, including a situation in which inadequate supplies of currency would be available, due for example to a scorched-earth policy on the part of the Nazis, a supply of supplemental mark currency, that is, Allied military marks similar to the Allied military lire used by the combined military forces in Italy, was printed for the supreme commander, A. E. F.

## PRINTING OF CURRENCY IN ADVANCE OF D-DAY

This printing was effected for the U. S.-U. K. account, and some of this is repetition, but it is brief. It was done by the Treasury Department in advance of the military operations in Germany. The printing took place in the United States because currency printing facilities were then available in this country, but not in Great Britain. Here again Great Britain, when it could, printed invasion currency for use as they did shillings and guilders.

In my case, we divided the cost of it. Under international law, the Hague Conventions, and the decisions of the Supreme Court of the United States, a military commander in areas occupied by the forces under his command has all of the power necessary for the carrying out of governmental functions. These powers include the right to provide for the currency needs of the occupied areas.

## FUNDAMENTAL AUTHORITY OF OCCUPYING AUTHORITIES

In fact, it is a fundamental principle of international law that an occupying authority has, in addition to its powers, certain obligations to the inhabitants of the territory under his control, such as the establishment and maintenance of an adequate and effective circulating medium.

The above-mentioned policy was incorporated in the directive from the Combined Chiefs of Staff to the Supreme Commander, AEF, as follows:

United States forces and other Allied forces will use Allied military marks and reichsmarks currency or coins in their possession. Allied military marks and reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied military mark for 1 reichsmark. Reichskreditkassenscheine—it is the German military mark, that is what it means—and other German military currency will not be legal tender in Germany.

We ruled out any money circulated by the German Army?

Senator TYDINGS. Would you permit an interruption there? If we had used dollars, we would have had to redeem them, would we not? They would have been in the hands of the Germans?

Mr. HILLDRING. I am just a dumb soldier, Senator, but it seems obvious to me that a dollar bill, any kind of a dollar bill, anywhere in the world, with the obligation of redemption by this Government on it, constitutes some kind of obligation on the United States.

## OCCUPATION COSTS IN GERMANY

Senator TYDINGS. To be a little repetitious, but to make it crystal clear, by the medium of the Allied mark in place of the dollar, we were in a position to impose upon Germany the cost of keeping our Army over there?

Mr. HILLDRING. The internal costs are visited upon Germany, and to do it is certainly aided tremendously by the use of a military mark.

Senator TYDINGS. To come down to specific figures, if \$250,000,000 worth of these Allied marks have been put in circulation in Germany, there is \$250,000,000 that have been saved to the Treasury if we had put them out in \$250,000,000 in bills?

Mr. HILLDRING. Something like that. I would not say to the dollar.

Senator TYDINGS. But the net result is that the Government of the United States is not obligated to the extent of \$250,000,000 worth of marks that have already been used in Germany?

## NO OBLIGATION TO REDEEM ALLIED CURRENCY

Mr. HILLDRING. We are not obligated, I want to repeat it, to redeem, and there is no obligation on the part of this Government to redeem any of the Allied marks.

Senator TYDINGS. The reason I am bringing this out is that some of the newspapers I read would leave the reader under the supposition that all of this was out of the United States Treasury, when, as a matter of fact, it is charged up to the German Government, and this money is a part of their own circulating system.

Chairman BRIDGES. Just to leave the matter clear, we were under no obligation, as the general said, but we did, as a matter of fact, redeem a very substantial part of it.

Senator KNOWLAND. As a matter of fact, the record shows that we exchanged German marks to the extent that they were long in German marks \$250,000,000 worth more than had been appropriated by the Congress of the United States for the support of the Army.

Senator TYDINGS. If we are long, it means we do not have to make them good.

Senator KNOWLAND. That is not right. We are losing \$250,000,000.

Senator TYDINGS. You have got dollars in credit which the Congress gave to the Army for that purpose.

Senator KNOWLAND. This is an off-draft of \$250,000,000.

Senator TYDINGS. You have got your prisoners of war to pay out of that.

Mr. HILLDRING. On the point I am trying to make now, Mr. Chairman, it is this, that it was a wise decision to use Allied military currency and not dollars and not goldseal dollars, or anything like that.

Chairman BRIDGES. I think that we will admit that is a fairly good point.

Mr. HILLDRING. That is all I am trying to prove now.

#### DECISION BY STATE DEPARTMENT ON RUSSIAN PLATES

Chairman BRIDGES. What we would like to know is some of the other things that the State Department did, how they reached a decision and why they agreed to give Russia the plates, and just who made the decision, and other like information.

Mr. HILLDRING. I have got some language in here on the Russian plates, but I can answer your question, if you wish me to right now.

Chairman BRIDGES. Why did the State Department make that decision with the Treasury Department?

Mr. HILLDRING. I think to understand the decision completely, Mr. Chairman, you have to put yourself in the atmosphere existing at the time that the decision was made. It was made in March and April 1944. At that time Eisenhower had not left the shores of England, and he was concentrating still for his invasion into Europe. At that time, also, the Soviet forces had broken loose from Stalingrad and they were about to take Sebastapol, and they had entered the eastern territory of Poland and had cleared Odessa.

It looked then, if things worked correctly and if the military operations worked out in accordance with schedule, which looked to many important people then as being nothing short of a miracle if they did, it would not be too long before the military victories in Europe would be complete, and we would have accomplished the purpose for which we were fighting, the first purpose for which we were fighting the German armies in Europe, and that is the ability to put ourselves in a position to accomplish the real purposes for which we were fighting World War II. That was peace in the world and for the United States to pursue its way of life, unhindered and uninterfered with by dictators.

I think there in the State Department at that time, they were thinking and thinking properly of both things. Under those circumstances, when it had been agreed by the Russians that they would use our cur-

rency, the officials of the Government who were responsible for making the decision under the circumstances made a reasonable decision.

When the Russians said to us: "We will use your currency, but we wish to be certain that Zukov has this currency in the quantities in which he needs it and at the time in which he needs it, and we cannot delegate or relegate the supply of currency for Zukov to anybody else. We agree to use your currency, but we cannot trust you to print it and to fly it half way around the world to Moscow in time for us to get it out to Zukov and his troops on time." When they said that, a very plausible and reasonable case was made by the Russians.

It would have been an exceedingly difficult thing in the light of conditions existing in the spring of 1944, in my judgment, for any responsible official of this Government to have decided then that we would have two Germanys and not one by saying to the Russians under those circumstances: "You cannot have the plates. You must print your own kind of invasion currency in the part of Germany that you occupy. You must use a currency other than ours."

It seems to me, Mr. Chairman, that there was only one decision that could have been made at that time with respect to the Soviet request, and the reason for which they made the request.

Senator TYDINGS. Tell us what would have happened if you had not acceded to it?

#### PRINTING OF THEIR OWN CURRENCY BY RUSSIANS

Mr. HILDRING. The Russians would have printed their own occupation currency and they told us so.

Senator TYDINGS. And what would have happened then?

Mr. HILDRING. They would have entered from the eastern frontiers of Germany with one currency, and we from the west with another, and I think the first decision that we could not treat Germany as an economic unit, that we could not agree with our partners to get along in the solution of the problems of Germany as partners, would have been made then by the United States.

Senator KNOWLAND. And it has now been made by Russia.

Mr. HILDRING. I think it is important, Senator. What I am trying to say is that at that time we had no reason to believe we could not, and every reason to believe that having once defeated the Fascist forces in Europe, we would be able to get together with our partners and settle the problems of peace, and certainly it was fundamental for us to agree on the treatment of Germany as one country.

#### GULLIBILITY OF STATE DEPARTMENT OFFICIALS

Chairman BRIDGES. Do you not think the officials of the State Department were pretty naïve, gullible, and stupid, if they agreed to what you said here, that the Russians were worrying, afraid they could not get currency enough, when in spite of that the reason they were rolling was because it was on our equipment and with our supplies, and we supplied them \$11,000,000,000 worth which we got around the world to them. Paper currency would have been a very easy thing to deliver.

Mr. HILDRING. Yes, Mr. Chairman; this is a close decision depending on where you sit. On the other hand, it is not unreasonable and

you need not look, it does not seem to me, for ulterior motives, when the head of the state says:

I want to have under my own control the means necessary for my armies to achieve the military objective of a campaign.

To reverse the thing, I wonder what decision would have been made if, on a matter as important as this, we had been dependent on the Soviet's supplying us with this invasion currency and Eisenhower's armies would have been the stake involved with us, and it was the stake involved with the Soviets.

Now, Mr. Chairman, we tried for a long, long time, as the testimony already submitted has brought out, to convince the Soviet Government that it was to everybody's advantage to let us deliver the money. We would do all of the printing and deliver the printed money to them just as we were going to do to the British and the French. But they insisted that the situation was different. The British and French Armies were under Eisenhower's control and there was an American commander, and they were certain, they said, that we would be able to get this money to Eisenhower.

Chairman BRIDGES. But we yielded to the Russians then, as we did in everything else, and we did not stand up to them as far as I know in one solitary instance.

Mr. HILLDRING. We made a determined effort, Senator, for a long period here to convince them that the better way to do the job was to let us print the money and transport it.

#### CONVERSION OF RUSSIAN PRINTED MARKS

Chairman BRIDGES. Now, before Senator Tydings asks a question, did you make inquiry or did the State Department make inquiry to ascertain whether or not the Russians were going to set up a system of converting or exchanging these into Russian rubles, as we were doing into American dollars?

Mr. HILLDRING. On that point, I do not know. We did agree, but this was in Germany, and this was in the Allied Control Council, that none of the partners in Germany would be responsible for the redemption of any of these marks. We were not particularly interested, Mr. Chairman, as to how the Russians treated the marks that they paid to their troops. We would not have permitted them to dictate to us, and we could not have permitted it. We were under congressional mandate as to how we pay our troops.

Chairman BRIDGES. You knew at that time that we were going to redeem in American dollars these marks that came in to us, did you not?

#### RUSSIAN PRINTING NOT RELATED TO EXCESS MARKS HELD BY ARMY

Mr. HILLDRING. Yes, sir. Let me make two points now, if I may, Senator. In my judgment—and I will try to show the committee why I think so—while we dislike the fact that the Russians are printing money or have printed money without accounting for it, and we have made determined efforts to get an accounting made and an orderly procedure established with respect to the handling of this currency, I do not believe that the shipment of these plates to the Russians had any material connection with the conversion of marks in the hands of

our troops, nor to the long holding our Army has today in marks. I think the things are very indirectly, if at all, connected.

Chairman BRIDGES. Now, that is an assumption which is absolutely contradictory to all of the reports that we get directly, that is, when you say there is no connection between the two, that is absolutely the reverse of all of the reports that we received which prompted this hearing.

Mr. HILLDRING. Let me tell you why I think so, Senator. I do not know much about anything but American soldiers, and it has been my privilege to be associated with them for 30 years.

The contact between our troops and the Soviet troops is confined to relatively small areas where our troops are located. One is in Berlin and the other is along a short frontier between our zone and the Russian zone. There is along the zone very little contact, Mr. Chairman, between our troops and the Soviet troops, but the conversion of marks to dollars occurred all over the American zone.

There is no contact between our troops and the Soviet troops in Frankfurt and Munich and Stuttgart, but the excess marks come up from all areas in our zone. There is plenty of currency and there has been plenty of currency legitimately introduced into the economy of western Germany by us and the British and the French to make possible this and even a larger conversion. That is, I admit, a matter of judgment, and it would have occurred if we had used indigenous currency and the Russians had used indigenous currency. Probably it would have occurred if they had used their own currency, because an American soldier, while he is the best soldier the Lord ever produced—it is pretty hard to prevent him, if he decides to cash in his wrist watch, from selling it to the man who wants to buy it and then making the necessary readjustments in the kind of money he has gotten to get a character of money that is acceptable to a finance officer.

#### RETURN OF ENGRAVING PLATES BY RUSSIANS

Chairman BRIDGES. I want to ask you, Has the State Department made any effort to get these plates back from the Russians?

Mr. HILLDRING. No, sir; that was point 2, Senator, that I wanted to make. We were not so naive in this thing that we expected to pass out money to our British partners or our French partners or plates to our Russian partners without instituting some control over the issuance and control of this currency before and after it got into circulation. At the time that this decision was made, we were involved with the British and the Soviet Governments in the European Advisory Commission in London, with the planning for the government of Germany after we took it.

That was one of the preparations we made for the occupation of Germany. It was agreed in the Advisory Council that, of course, we would have a currency control over all of the areas to be occupied by the three partners. It was three partners then. Again, at Potsdam, Senator, I want to remind you that the agreement on central administrative machinery for currency control of currency introduced into and circulating in all three zones—again only only three zones, United States, U. S. S. R., and United Kingdom, was agreed upon in considerable detail by all three of the heads of state present at Potsdam.

As a matter of fact, between Potsdam and today that has not been disavowed by our Soviet allies, and they still have not said that they will not establish this central administrative machinery, this currency control which I think would obviate all of the difficulties which we now have in the matter of currency.

Senator KNOWLAND. While they have not disavowed it, they have not done it.

Mr. HILLDRING. They have not done it.

#### CURRENCY CONTROL IN GERMANY

Senator KNOWLAND. And you will never have currency control in Germany unless you have either a central printing plant for this money or some kind of central control, or at least information from the three powers as to what they are printing.

Mr. HILLDRING. I cannot disagree with you in the slightest; that is entirely correct.

Chairman BRIDGES. And, General, the unlimited printing of the Russian money has a very direct effect on the stability of the German economy. Your Department is now coming to the American Congress and asking for hundreds of millions of dollars of taxpayers' money to help out an economy which is day by day being made worse by the looting of Germany through the pouring in of Russian money which is uncontrolled.

Mr. HILLDRING. Mr. Chairman, I cannot disagree with you that the introduction of uncontrolled currencies into Germany has an unfavorable effect upon the economy of Germany which the State Department deploras.

Chairman BRIDGES. What action have you taken?

Mr. HILLDRING. What we have tried to do, Mr. Chairman, is to get the Soviets to consummate their agreement to treat Germany as an economic unit and to establish a machinery in Berlin that will put a control over the currency of Germany. I again want to say, Senator, that it is not in our judgment the fact that they are pumping Allied military marks into the economy of Germany that is detrimental to the economy. It is the fact that they are in a position to pump any kind of marks into the economy.

If we had the plates back today, there is no reason why they could not be printing German reichsmarks and putting them into the economy of Germany with exactly the same detrimental effect to the economy of Germany that is being achieved through the use of Allied military marks.

Chairman BRIDGES. But that is in the Russian zone, and they could not be piling into our zone and the other zones to weaken the economy.

Mr. HILLDRING. I think, to the same effect, there would be the same leakage of any negotiable currency, and the reichsmark is just as negotiable in our zone as it is in theirs; if they were pumping reichsmarks into their zone, they would flow into our zone just as readily as the Allied military mark now flows into it.

#### AMERICAN MARK IN RUSSIAN ZONE

Senator TYDINGS. I would like to ask whether the General has any knowledge that some of these American marks have gotten over into the Russian zone?

Mr. HILLDRING. I do not know much about the Russian zone.

Senator TYDINGS. Would you assume that some of the equal number have gone into their zone?

Mr. HILLDRING. This would just be an assumption that some of our marks have found their way into their zone.

Senator McKELLAR. I just wanted to ask this: Have we anything to do with the Russian zone of Germany? We are not allowed to have any access to it?

Mr. HILLDRING. Yes, sir; we get in there, Senator.

Senator McKELLAR. How many officers have gone in there?

Senator TYDINGS. I have been in there myself.

Senator McKELLAR. Besides Senator Tydings?

Senator TYDINGS. I spent some time in there, and I had no trouble at all.

Senator McKELLAR. How many officers have you there now—officers of the Army or officers of the State Department?

Mr. HILLDRING. We have a military government which is my particular activity, although on the policy side.

Senator McKELLAR. In that zone?

Mr. HILLDRING. No.

Senator McKELLAR. I am talking about the Russian zone. As I understand it, the United States has been excluded from the Russian zone.

Mr. HILLDRING. We do get permission, some of our people, to visit in there.

#### AMERICAN OFFICERS IN RUSSIAN ZONE

Senator McKELLAR. Could you give us a list of American officers in the Russian zone?

Mr. HILLDRING. You mean that have visited in the zone?

Senator McKELLAR. Oh, no, that are there—stationed there to help look after the country that our armies took in the war.

Mr. HILLDRING. No, sir; we have not anybody stationed in there in their zone for that purpose, and they have not any in our zone for that purpose.

Senator McKELLAR. So that you are not attempting to govern in any way that zone?

Mr. HILLDRING. That is correct. We hope, Senator—let me qualify my remark: We hope and pray with all of our might and main that we can still get agreement out of the Russians to treat Germany as one country; and as evidence of that, you probably know the Secretary of State has agreed again to sit with the Foreign Ministers in September and November of this year.

Senator TYDINGS. Prior to our invasion of the Continent of Europe the Russians were bearing the brunt of the German attack.

Mr. HILLDRING. Yes, sir.

Senator TYDINGS. They were doing and dying.

Mr. HILLDRING. Yes, sir.

Senator TYDINGS. We were furnishing with lend-lease, and while we hated to see this great amount of wealth leave the country, I would much rather have done that than had so many American boys in place of Russian boys make the supreme sacrifice. I just want to be fair about it.

Senator KNOWLAND. We were also doing some of the dying in north Africa and Italy before we invaded the Continent, and all of this dying was not done by the Russians.

Senator TYDINGS. I appreciate that; but the point I make is that the Russians were losing hundreds where we were losing ones and tens at that time.

Chairman BRIDGES. We were doing some dying in the Pacific where the Russians were holding back, and at least tacitly playing with the Japanese, and who did not declare war until 5 days before it was over.

Senator TYDINGS. But on the other hand—let us be fair about it—nobody thought Russia would last more than 60 days when the Germans first started, and they did hold them back pretty well without any help from any quarter whatsoever for a long while. While I am no admirer of Russia in any sense of the word, either before the war, during the war, or after the war in a political sense, I like to be fair about these things, and not when the danger is over take all of the credit for myself and bring in the lend-lease proposition which was a cheap compensation for the death of American boys that we prevented.

#### CONSIDERATIONS AFFECTING DECISIONS ON OCCUPATION CURRENCY

Senator MORSE. I am sorry that I was not here at the beginning of the testimony, but it is going to help my thinking on this problem if I can get an answer to three or four questions along the line of Senator Tydings' questions and comments.

You speak about your willingness to rest on your justification for the actions taken; but, of course, the committee has got to develop its own justification for whatever position it finally rests upon.

Mr. HILLDRING. I understand that.

Senator MORSE. And as I understand your position, it is summarized as follows: No. 1, when this agreement was entered into, the days of the war were pretty dark days.

Mr. HILLDRING. They were, sir.

Senator MORSE. At the time it was entered into, we did not know for certain whether we would come out victorious or vanquished; did we?

Mr. HILLDRING. We were not sure in those days, Senator.

#### DIFFICULTIES WITH THE RUSSIANS

Senator MORSE. No. 3, not only at that time, but from the very beginning of the war, we were having our diplomatic and our military difficulties with Russia, even though she was an ally in a great many respects. One was mentioned by Senator Tydings as to when we were going to invade, and another as to whether or not we were getting lend-lease to her fast enough, and I do not justify her actions; but the point, as I understand it, and I think it ought to be made in this record, is that even when she was an ally of ours in the midst of the war, compared with the way we got along with Britain, we were having considerable military and diplomatic difficulties with her; is that true?

Mr. HILLDRING. We were having more with her than we did with the UK, Senator.

Senator MORSE. Now, No. 4, we were never certain just what her course of action might be, as evidenced by the fact that early in the game she entered into negotiations and a treaty with Germany and then later that changed, and we never knew when again she was going to negotiate a separate peace treaty, did we?

Was there ever any time, or first, I will leave it the way it is, were we ever certain that she might not negotiate a separate peace with Germany?

Mr. HILLDRING. On that one, Senator Morse, I have to answer that I do not know. As I said earlier, in those days I was not trying to be a diplomat. I was just a soldier, and I have only a hearsay knowledge of the difficulties that the State Department was having at those times.

Senator MORSE. Do you think I would be very far afield in my surmise that this was just one of many concessions that we found in the midst of a war—it is one thing now to say we ought behindsight to have done something else—but in the midst of the war we were willing to concede to her in order to remove any doubt about the fact that she would press forward against those German armies on that front as fast as possible.

Mr. HILLDRING. I think on that I agree with you, Senator. I think that you paraphrase more lucidly a thing I mentioned in the beginning of my testimony, which was the fact that certainly the officials of this Government to make this decision were not unmindful of that fact, that in almost a miraculously short time the Russian armies had broken out of Stalingrad, and at this particular week that this decision had been made entered eastern Poland and uncovered Odessa, and it was certainly in the minds of the officials who made this decision that they desired that Russian drive to continue with all of its momentum in our own interests.

#### DIFFERING NATIONAL OBJECTIVES IN WAGING WORLD WAR II

Senator MORSE. When we look at our relations with our Allies, it is rather difficult to escape that fact that the objectives of the war as they were being fought for by England and America were quite different from the objectives that were being fought for by Russia.

Mr. HILLDRING. On that issue, I am not, again, qualified to testify. I do not know that we did know that then.

Senator MORSE. You would not disagree with me that vitally in our objectives was the one of seeing to it that totalitarian governments did not so press their power around the world as to stamp out individual human rights as we understand them in this country?

Mr. HILLDRING. That is what I think we were fighting World War II to accomplish.

Senator MORSE. And we were fighting, you might put it this way, we were fighting against the establishment of a world order based upon police state methods?

Mr. HILLDRING. Yes.

## RUSSIAN OBJECTIVES IN WORLD WAR II

Senator MORSE. Do you think Russia was fighting for the establishment of that type of a world order?

Mr. HILLDRING. The knowledge of this Government in those days as to their purposes, Senator, is a point, again. I want to say on which I am not qualified to testify.

Senator MORSE. I admire the answer, but I do think on the other hand, when this committee comes to understand a justification for or a rationalization for or the making of a pretty hard bargain, we have got to keep in mind that after all we are seeking, we were seeking to stamp out at the minimum cost in lives a totalitarian government in the form of Fascist states which we knew that if we did not stamp it out, what we know as individual and human rights in this country would be gone at least for our lifetime, if not forever.

We were getting the aid of another ally who we were never certain of at any time, whether that ally was fighting for the same objective. I think that you have to keep that in mind to understand some of the negotiations that had to be consummated in the midst of a war. It looks to me as though this is one of those costs, and judging from your testimony, it would be a cheap price if it saved a single American life, as far as that goes.

But, what happened then, it seems to me, is one thing; and what should be done now in view of subsequent developments is quite another thing, and it seems to me that it is pretty much like the old matter of crying over spilled milk. Tears will not put the milk back in the vessel, but better see that the next supply is not spilled, and that is why I think we ought to get some very definite action by way of a stop order on this practice now, even if it requires us to make perfectly clear to Russia that we are going to follow our own independent course of action if she is going to pursue the policy which it seems to me this testimony has brought out.

Chairman BRIDGES. General Hilldring, do you have more testimony which you want to make?

Mr. HILLDRING. I think most of it I have already said.

Chairman BRIDGES. Why do we not put that in the record, then.

Mr. HILLDRING. That will save the committee's time. This would be mostly repetition.

(The statement is as follows:)

## PREPARED STATEMENT BY MR. HILLDRING

I am appearing before you today in response to telegrams addressed to the Secretary of State by Senator Bridges, chairman, Senate Committee on Appropriations. These telegrams express the interest of the Committee on Appropriations, the Committee on Banking and Currency, and the Armed Services Committee of the Senate in the following subjects:

1. Occupation currency policies, procedures, and transactions of the Federal Government as determined and administered by the military authorities or other officials within the occupied areas of Germany and elsewhere.

2. Any agreements or understandings between the Soviet Government and our own Federal Government regulating the issuance, transactions in, and redemption of Allied military currency.

The Department of State has paramount responsibility, within the executive branch of the Government, for the establishment of an integrated policy on the part of our Government toward foreign countries, including areas occupied by United States forces. Administration of our national policy in occupied areas

is the responsibility of the United States military authorities. Nevertheless the Department of State has, of course, a continuing interest in the procedures whereby our national policy is implemented, from the standpoint of assuring, in coordination with the War Department and other interested agencies, that such procedures are of a nature to further the earliest possible accomplishment of the basic aim of our Government, namely, a just and lasting peace.

United States policy regarding the currencies to be used in occupied areas was formulated, in advance of military operations, in consultation among the State, Treasury, War, and Navy Departments and then incorporated in directives of the Joint Chiefs of Staff. Policy with respect to areas of combined military operations, was embodied in directives of the Combined Chiefs of Staff to the respective Allied military commanders.

#### FACTORS DETERMINING THE CHOICE OF OCCUPATION CURRENCY IN OVERSEAS AREAS

A basic problem was the determination of whether to use dollars or local currency in overseas areas liberated by or occupied by our armed forces. The decision was made to use local currency or a military or occupation currency similar to the local currency in the various overseas areas for the following reasons.

In the case of Germany, our policy has been to require the German economy to bear the internal costs of occupation of that country. It would have been difficult to assure this incidence of occupation costs had dollar currency been introduced into the local economy. The introduction of dollar currency would have resulted in the acquisition of dollar claims against the United States by the local population. Furthermore, it was considered that the use of a different currency by each of the invading forces would have prejudiced the adoption of common economic and financial policies. It was therefore agreed among the occupying powers that a special Allied military mark should be used to circulate at parity with the reichsmark.

The same considerations applied generally to Italy, Austria, and Korea at the time our armed forces entered these countries. Similar considerations regarding the burden of the internal costs of occupation were present in the case of Japan, where, however, the indigenous currency was used almost entirely by our occupation forces.

The same policy was adopted for different reasons with respect to invaded Allied countries which were liberated by our forces. An important factor was the strong desire of our allies to avoid the introduction to their economies of foreign currencies. Furthermore, it was considered that the use of local currencies would involve a minimum of disturbance to the local economies, a factor of considerable importance to our military commanders who were concerned with avoiding disorder and economic break-down behind their lines. Also, dollar currencies used in liberated countries might have found their way into enemy hands, the element of risk in this regard being especially high in military operations such as our overseas invasions. Finally, when Allied forces were composed of troops of more than one nationality fighting side by side, it was desirable that they should employ and be paid in the same currency.

#### AGREEMENTS AND UNDERSTANDINGS BETWEEN THE UNITED STATES AND SOVIET GOVERNMENTS REGULATING THE ISSUANCE, TRANSACTIONS IN, AND REDEMPTION OF ALLIED MILITARY CURRENCY

During the combined US-UK military planning for the Normandy invasion, in the winter and spring of 1944, it was decided by the United States and British Governments that the combined military forces would use legal tender German mark currency for their expenditures in Germany. In order to be prepared for any eventuality, including a situation in which inadequate supplies of reichsmark currency would be available to the combined military forces, due, for example, to a scorched-earth policy on the part of the Nazis, a supply of supplemental mark currency, i. e., Allied military marks, similar to the Allied military lire used by the combined military forces in Italy, was printed for the supreme commander, AEF. This printing was effected, for US-UK account, by the Treasury Department in advance of Allied military operations in Germany. The printing took place in the United States because currency printing facilities were then available in this country but not in Great Britain.

Under international law, the Hague Conventions, and the decisions of the Supreme Court of the United States, the military commander in areas occupied by the forces under his command has all the powers necessary for the carrying out of governmental functions. These powers include the right to provide for the currency needs of the area occupied. In fact, it is a fundamental principle of international law that an occupying authority has, in addition to its powers, certain obligations to the inhabitants of the territory under its control, such as the establishment and maintenance of an adequate and effective circulating medium.

The above-mentioned policy was incorporated in the directive from the Combined Chiefs of Staff to the supreme commander, AEF, as follows: "United States forces and other Allied forces will use Allied military marks and Reichsmark currency or coins in their possession. Allied military marks and reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied military mark for 1 reichsmark. Reichskreditkassenscheine and other Germany military currency will not be legal tender in Germany."

Negotiations were undertaken with the Soviet authorities in Washington for the purpose of obtaining Soviet agreement to use the same supplemental mark currency, i. e., Allied military marks, in Soviet military operations in Germany. It was desired by the United States and British Governments that the Soviet Government use the same supplemental German currency as that used by the combined US-UK military authorities not only in order to indicate to the Germans and others the unity of United States, British, and Soviet action and objectives but also in furtherance of the policy of treating Germany as an economic unit. The probable alternatives to the use of a supplemental currency of uniform design would have been for the Soviets to use a supplemental military mark of their own design or Soviet ruble currency. However, the Soviet authorities agreed to use a supplemental mark currency of same design as that which would be used by United States and British forces in Germany. The United States and British Governments offered to furnish the Soviets with adequate supplies of Allied military mark currency. Nevertheless, the Soviets were adamant in their request to be furnished with currency printing plates from which the Soviets could prepare their own supplies of Allied military marks. The reasons given by the Soviet Government for this position were that, in the interests of an uninterrupted supply to the Soviet Army of the currency in question, it would be desirable to print Allied military marks in the Soviet Union as well as in the United States, and that Soviet specialists considered that, if military marks were not also printed in the Soviet Union, it would be disadvantageous for our common Allied cause.

This subject was brought before the Combined Civil Affairs Committee, an agency of the Combined Chiefs of Staff, for consideration. The Department of State is a member of the Combined Civil Affairs Committee. It was pointed out by the War Department that the type of mark currency to be used by the Soviet forces was not a determining factor to the success of the prospective US/UK military operations and that the problem was of a political and not military nature.

The decision relative to the above-mentioned request of the Soviet authorities for currency printing plates was made at governmental level. A combined decision was reached by the United States and British Governments, whereby duplicate Allied military mark currency printing plates were furnished by the Treasury Department to the Soviet Embassy in Washington.

If the Soviets had not been provided with plates with which to print Allied military mark currency, they would have printed a supplemental mark currency of Soviet design. A statement to this effect was made in a note, dated April 8, 1944, from the Soviet Government. Under United States policy to treat Germany as an economic unit, it would have been necessary for the United States to recognize, as legal tender in Germany, any supplemental mark currency issued in Germany by the Soviet authorities. The experience in other countries indicates that the long position of the United States armed forces in mark currency would have occurred even if the Soviets had been unable to print their own Allied military marks with plates supplied by the United States Government.

There is no obligation on the part of any of the occupying powers to redeem any Allied military marks. This is a responsibility of the eventual German government. Quadrupartite agreements for control of Germany by Allied Representatives, dated September 20, 1945, contain the following stipulation: "The German authorities will supply free of cost such German currency as the Allied representatives may require, and withdraw and redeem in German currency within such

time limits and on such terms as the Allied representatives may specify, all holdings in German territory of currencies issued by the Allied representatives during military operations or occupation, and will hand over the currencies so withdrawn free of cost to the Allied representatives." Such redemptions as have been effected by any of the occupying powers have been undertaken in accordance with each power's policies respecting currencies in the hands of their troops.

No rate of exchange for the German mark has been agreed upon by any of the four occupying powers in Germany. However, the four occupying powers have agreed to use a military conversion rate for the mark, for military and accounting purposes, of 10 marks equal \$1, or approximately the equivalent thereof in terms of the currencies of the three other occupying powers.

#### TRANSACTIONS IN FOREIGN CURRENCIES BY AUTHORIZED PERSONNEL

Basic to the armed forces' transactions in foreign currencies was the proviso that foreign currencies in the hands of military and other authorized personnel received by them as pay, allowances, and other authorized compensation were to be accepted for immediate remittance in dollars to the United States. After the State, Treasury, War, and Navy Departments had decided on the currencies to be used and made provisions for their acquisition, the armed forces established procedures to handle and control these remittances. In the first areas of major military activity, north Africa and Italy, these controls proved satisfactory in successfully providing for the needs of the armed forces and limiting remittances to amounts legitimately received for pay, allowances, and other authorized compensation, which augured well for similar procedures in other areas. However, these controls were not so universally successful elsewhere. In Germany, Austria, Japan, and Korea the excess remittance problem has proved greatest. The State, War, and Treasury Departments have participated in negotiations with foreign countries resulting in a settlement of the excess currency problem in connection with negotiations covering financial problems arising out of this war in countries other than Germany, Austria, Japan, and Korea.

Chairman BRIDGES. I would like to call former Secretary McCloy.

#### TESTIMONY OF JOHN J. McCLOY, PRESIDENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(The witness was duly sworn by Chairman Bridges.)

Chairman BRIDGES. Your full name is what?

Mr. McCLOY. John J. McCloy.

Chairman BRIDGES. What position do you presently occupy?

Mr. McCLOY. President of the International Bank of Reconstruction and Development.

Chairman BRIDGES. And during the war you occupied what position?

Mr. McCLOY. Assistant Secretary of War.

Chairman BRIDGES. Mr. McCloy, we asked that you come here today, knowing that you are no longer with the War Department, to see if you can give us any first-hand information about the subject under investigation, and we would like your comments or any evidence which you think would be helpful.

#### CHAIRMAN, COMBINED CIVIL AFFAIRS COMMITTEE

Mr. McCLOY. My direct relation with this question arose primarily, I think entirely, out of my position as chairman of the Combined Civil Affairs Committee of the Combined Chiefs of Staff. That committee was organized early in the war to deal with political military matters that arose in connection with the conduct of the war, as the name of the committee implies.

We made our reports and suggestions to the Combined Chiefs of Staff, and in a good many cases they went forward as directives to the troops and to the Allied troops.

Rather early in the war this matter of occupation currencies came up. General Hilldring has already testified very vividly about some of the problems that we had in connection with the use of currency, the gold-seal dollars, and later on the occupation currencies, the local currencies.

I remember very distinctly, and I must say that I have not had a chance to review any of my old records, and in fact I have very few of them. I have just gotten back in town after a trip around the country, and I have to rely upon my recollections which, although somewhat general, are fairly definite in relation to this particular matter. All that I can give you is what I recall today of the discussions.

#### RUSSIAN REQUEST FOR ENGRAVING PLATES

I remember very distinctly the concern that we had over the Russian request that came in for the surrender of the plates. Although I was chairman of that committee, it was quite apparent to me as the discussion progressed that this was a question that had many elements in it that were other than military. The Treasury, I think, were the ones that first raised the objections to the delivery of these plates to Russians. There were representatives of the Treasury that were called in from time to time on an advisory basis, and I recall very well some of those representatives coming in and the thought of turning over the plates to any outsider was something of a shock, and it violated the principles of security that they were accustomed to in connection with the printing of money.

Chairman BRIDGES. Do you recall the names of any of them that were horrified?

Mr. McCLOY. I remember one name particularly, his name was mentioned here today. That was Mr. Bell. I remember that he expressed considerable concern about turning these plates over. I recall, I think Mr. Hall, coming up at the same time as we discussed the matter of the mechanics of getting these plates made and the currency printed, and I remember they were very security conscious.

It was not only a political matter which was involved in this question, but it was also a matter of security, of control which the Treasury people were alert to; but there were these other considerations that General Hilldring has testified to, that were ever present; and this discussion went back and forth as to the pros and cons of making these plates available to the Russians. As chairman of the committee, I finally took the position that I thought that this was not so much a military consideration as it was a fiscal and a political one, and that I thought that the matter ought to be decided by the fiscal and the political authorities.

That attitude was reported, as I recall, and I am quite sure that I am right, to the Combined Chiefs of Staff. I can recall a subsequent meeting of the Combined Civil Affairs Committee, at which it was reported to me, I think by the British representatives, that they had talked this matter over and my general attitude and the British repre-

sentative reported that they had likewise determined that this was a matter for the other agencies to handle, and it was left that way.

I believe that subsequently both the Treasury and the State Departments arrived at the decision which is apparent in the action which the Bureau of Printing and Engraving took in turning the plates over to the Russians.

#### SECRETARY OF STATE IN WORLD WAR II

Chairman BRIDGES. Now, Mr. McCloy, it has been testified here that Mr. Morgenthau was Secretary of the Treasury at that time. Who was Secretary of State at that time?

Mr. McCLOY. Mr. Hull. I guess Mr. Hull was Secretary at that time. Mr. James Dunn, whose name has been mentioned, was the State Department representative on my committee. He was Assistant Secretary of State.

Chairman BRIDGES. Did the people on your committee representing the State Department or the Treasury Department make that decision, or did they go back to their superiors?

Mr. McCLOY. They went back to their superiors, and the discussion took place around our table. Whether they were military or political and fiscal discussions or security discussions, I want to emphasize what General Hilldring has said about the atmosphere at that time.

I might suggest that it should be borne in mind, that I think it was by that time that the European Advisory Council had met and had first laid down this fundamental principle of the unified action in respect of the conquered countries. That was a policy which was subsequently implemented or reasserted again at Potsdam. We were laboring or acting under that policy of unification, and the thought that we should have one currency was consistent with that.

#### RUSSIAN REPRESENTATION BEFORE COMBINED CIVIL AFFAIRS COMMITTEE

Chairman BRIDGES. Did Russian representatives actually physically appear before your committee?

Mr. McCLOY. No; they did not.

Chairman BRIDGES. They did communicate with you by note?

Mr. McCLOY. I think that I had no communication whatever with any Russian representative, but I think the Russians communicated directly with the Treasury Department people, and I think that they communicated directly with the State Department.

Chairman BRIDGES. And then all you knew about it as representatives of the War Department was what was transmitted to you by the Treasury Department officials and the State Department officials and what they in turn got from the Soviet representatives?

Mr. McCLOY. That is right.

Chairman BRIDGES. So that you, personally, and the War Department, had no direct connection with the Soviet representatives?

Mr. McCLOY. I do not believe so; or someone in the War Department may have had some connection with the Russians, but I do not think so.

We simply discussed this question as to the determination of whether or not we would make a recommendation for a particular action by the Combined Chiefs of Staff.

Chairman BRIDGES. Did they do it directly with us or did they do it with the British?

Mr. McCLOY. Who is "they"?

Chairman BRIDGES. The Russians.

Mr. McCLOY. They did it directly with us, I am sure.

#### ZONE SYSTEM OF GOVERNING GERMANY

Senator KNOWLAND. When was the decision first made in setting up what was then the three zones in Germany, and later the French zone?

Mr. McCLOY. That came considerably later. That came just prior to the complete conquest of Germany. I cannot give you offhand the exact time that passed since then, but that was relatively a short time before the complete subjugation, and long after the time that we are talking about.

Chairman BRIDGES. Senator MORSE?

#### RESPONSIBILITY FOR GIVING RUSSIANS ENGRAVING PLATES

Senator MORSE. In fixing the determinative responsibility for the decision to transfer the plates, do you know of your own knowledge as to whether or not the Secretary—the then Secretary of the Treasury, Mr. Morgenthau—authorized it and put his stamp of approval on it?

Mr. McCLOY. No; I do not know of my own knowledge that he did that.

Senator MORSE. Is it your understanding that he did?

Mr. McCLOY. My understanding is that he did. Whether he assumed that responsibility on his own, I do not know. All I know is that eventually it was reported to us that the Bureau of Engraving had turned the plates over to the Russians in Washington, as I recall it.

Senator MORSE. Do you know of your own knowledge whether the then Secretary of State, Cordell Hull, authorized the transfer or approved of it?

Mr. McCLOY. I do not know of my own knowledge, but I am quite certain Mr. Dunn told me that the State Department had gone along with that decision, after considering the pros and cons.

#### PRESIDENT'S PART IN DECISION TO GRANT PLATES TO RUSSIANS

Senator MORSE. Do you know of your own knowledge whether or not the then President of the United States, Mr. Roosevelt, put his stamp of approval on the transfer?

Mr. McCLOY. I do not know that of my own knowledge.

Senator MORSE. Is it your understanding that he was aware of it and did authorize it?

Mr. McCLOY. I have an impression that he was consulted. Where I got that impression, I do not know. I cannot think back. I do not have enough recollection, specifically, but I have it in the back of my head that it was a matter of such importance that either the Secretary of State or the Secretary of the Treasury did go to the President about it.

Senator MORSE. And it is your understanding that, in addition to these responsible American officials, the Joint Chiefs of Staff, which,

in turn, brought to bear upon the problem the British point of view, also decided that such a decision should be made?

#### JOINT CHIEFS OF STAFF RESPONSIBILITY

Mr. McCLOY. The Joint Chiefs of Staff, the Combined Chiefs of Staff, did not purport to make the decision. I think, as I recall it, all that they did was to insist that occupation marks be made available, and if they were made available to the Russians by a certain time, it comported with General Eisenhower's desires or plans. They did not decide the question, I think.

Senator MORSE. Let me put my question this way. The record is clear, is it not, that it was the desire of the Joint Chiefs of Staff that there be one occupation currency used by the British, the Russians, and the Americans?

Mr. McCLOY. All I can say is that it was the desire of the military people that occupation currency of some sort be made available in a timely fashion.

Senator MORSE. It is not your understanding that they thought it would be undesirable to have two or more types of currency used in the occupation zone?

Mr. McCLOY. I do not think they considered that. I think they took the political decision that there should be a unified treatment as to the policy under which they would operate.

Senator MORSE. That unified treatment did not include a common currency.

Mr. McCLOY. It was not as specific as that. It was an implication of that.

Chairman BRIDGES. Mr. McCloy, and gentlemen, we will take a 10-minute recess and then come back to ask you a few more questions.

(Thereupon, a short recess was taken.)

Chairman BRIDGES. We will resume, please.

#### DISCUSSION OF OCCUPATION CURRENCY AMONG "BIG THREE"

Secretary McCloy, would you tell us if, to your knowledge there was ever a conference in which this was the subject of discussion with the Big Three?

Mr. McCLOY. It was not a subject of discussion in any of the Big Three conferences that I attended. And I do not recall seeing any minutes of any of them that had this subject matter in it. I would have to check that. It was not discussed at Potsdam. I was at Potsdam.

Chairman BRIDGES. Then is there anything further that you would like to state?

#### POSSIBILITY THAT SECRETARY OF STATE CONFERRED WITH HIGHER AUTHORITY

Mr. McCLOY. I think not, except that I want to emphasize this suggestion that I made, that maybe the Secretary of the Treasury consulted someone else. It is just an impression reached out of the air, that I have no personal knowledge of. I cannot testify on the basis

of any definitive information. I was asked a question as to whether I had any impression. That is the impression I had.

Chairman BRIDGES. Thank you, Mr. Secretary.

#### BIG THREE DISCUSSIONS

General HILLDRING, we would like to ask you one other question. We would like to ask you whether or not, to your knowledge and the knowledge of the State Department, this was discussed by the so-called Big Three?

Mr. HILLDRING. The question of the plates; as such, Mr. Chairman? Chairman BRIDGES. Yes.

Mr. HILLDRING. I do not know. I was at Potsdam. If it was discussed I do not know. The question of currency control, which I discussed in my statement, the method of controlling all currency issued in Germany, was discussed and was decided on by the big three at Potsdam.

But that is not exactly the point you raised, Mr. Chairman.

Chairman BRIDGES. But the original decision, of course, came along before Potsdam.

Mr. HILLDRING. That is correct.

Chairman BRIDGES. Was it discussed at any of the previous conferences?

Mr. HILLDRING. Not that I know of.

#### CLEARANCE OF TRANSACTIONS WITH THE PRESIDENT

Chairman BRIDGES. To your knowledge and the knowledge of the State Department, was this matter cleared with the White House, with the then President, Mr. Roosevelt?

Mr. HILLDRING. I do not know. I want to say in that connection, Mr. Chairman, that I am not finished searching the records of the State Department for some record of how this thing was handled within the State Department. I hope, still, to find the record. I have not done so yet, and if I do, I may find some light on that as well as how the thing was cleared in the State Department, and anything I find which is of interest to the committee, I will bring over here.

Chairman BRIDGES. It is understood that you are going to declassify and are going to furnish for the committee records the memoranda, the minutes of certain meetings, and the memoranda that had been referred to here, and which you agreed to furnish earlier.

Mr. HILLDRING. Yes, Mr. Chairman. If there are any State Department minutes I will declassify them. The principal responsibility, the only one I knew of up to now, was the messages that were handled by State, or by the Combined Chiefs on this subject. I will gather them up, get them declassified, and turn them over to the committee.

(The information requested is contained in appendix A.)

May I make one additional statement, Mr. Chairman? One point I wanted to make with the committee. I must have had a little buck fever, sir.

## NOTIFICATION OF DISCONTINUANCE OF PRINTING CURRENCY BY RUSSIANS

I wanted to notify the committee that the Soviets did notify the Allied Control Commission in Berlin that they ceased issuing Allied military marks in Germany on the 1st of July 1946. In other words, they say, in the Control Council, that they ceased on the 1st of July 1946 to issue any more Allied military marks in Germany.

Senator McKELLAR. And have they not issued any since?

Mr. HILLDRING. That I cannot testify to.

Chairman BRIDGES. And you have no information by which you can verify whether their announcement is accurate or not?

Mr. HILLDRING. I cannot say that none has been issued, sir.

Chairman BRIDGES. I think that is all, General. Thank you.

Mr. HILLDRING. Thank you, Mr. Chairman.

Chairman BRIDGES. I would like to ask Mr. Overby if he would resume the stand.

## SECRETARY OF STATE CLEARANCE WITH WHITE HOUSE

Do you know from the point of view of the Secretary of the Treasury whether or not this was cleared by the White House?

Mr. OVERBY. I do not know whether it was or was not, sir.

Chairman BRIDGES. Will you check the files to see, and send us any information to that effect?

Mr. OVERBY. I will do so, sir, to the best of my knowledge, from the records I have seen. I have no evidence that it either was or was not cleared by the then Secretary of the Treasury with the President of the United States. I will be glad to check.

(The information requested appears in appendix B.)

## CONFERENCE OF THE BIG THREE

Chairman BRIDGES. Do you know whether or not it was the subject of a conference of the big three?

Mr. OVERBY. I have no knowledge on that subject, sir.

Chairman BRIDGES. Will you check that to see what the Treasury has on that?

Mr. OVERBY. I will see what the Treasury records have.

(The information appears in appendix B.)

Chairman BRIDGES. General Richards, will you take the stand now?

Senator McKELLAR. Before he goes. I would like to ask a question.

Chairman BRIDGES. Senator McKellar.

## REPRESENTATIVES OF UNITED STATES IN RUSSIAN ZONE OF GERMANY

Senator McKELLAR. Do you know of any representatives that the United States has in that portion of Germany controlled by Russia?

Mr. OVERBY. No, sir.

Senator McKELLAR. Berlin and the surrounding territory?

Mr. OVERBY. No, sir. I would not. But I would not be the best witness to talk on that subject.

Senator McKELLAR. Who would know that? Who in the State Department would know it?

Mr. OVERBY. I do not know. I am with the Treasury Department.

Senator McKELLAR. You would not know?

Mr. OVERBY. I would not know, sir. I am sorry.

Senator McKELLAR. Could the State Department representative answer the question, if he is still here?

Chairman BRIDGES. I think he is gone, Senator McKellar, but we can get the answer from him.

Senator McKELLAR. That is all.

#### TREASURY REPRESENTATIVES OVERSEAS

Chairman BRIDGES. One other question. You testified that the Treasury Department had no representative abroad in Europe looking after these things. Is that correct?

Mr. OVERBY. I said "to my knowledge," to the best of my knowledge.

Chairman BRIDGES. Did you have, in the African invasion?

Mr. OVERBY. I believe in the African invasion we did have Treasury representatives attached to the military.

Chairman BRIDGES. Do you know who they were?

Mr. OVERBY. I do not recall their names, sir.

Chairman BRIDGES. Will you find that out and send it in for the record?

Mr. OVERBY. Yes, sir.

(The information requested is to be found in appendix B.)

Chairman BRIDGES. Will you verify to see whether your knowledge was correct in so stating that you had no representative abroad in Europe?

Mr. OVERBY. Abroad in Europe or in Germany?

Chairman BRIDGES. In the European field, on these—

Mr. OVERBY. These matters concerned with here?

Chairman BRIDGES. Yes.

Mr. OVERBY. We have had Treasury representatives go to London and Paris and other places on other matters, I am sure.

Chairman BRIDGES. But none in Germany or Austria?

Mr. OVERBY. I would have to check that, sir. To the best of my knowledge as of this moment I do not know their names. But I will be glad to check.

#### MARKS ISSUED BY FRENCH AND BRITISH

Chairman BRIDGES. Mr. Overby, who could testify as to the amount of these marks that were issued by the French and the British?

Mr. OVERBY. That is not within the province of the Treasury Department.

Chairman BRIDGES. That would be the War Department?

Mr. OVERBY. The War Department and State Department who, as I have said, are responsible for occupation policy, and occupation administration.

If they can. I am not asserting that they can.

Chairman BRIDGES. Thank you.

## PRINTING OF 1,000, 5,000, AND 10,000 MARKS

I have a question to ask of Mr. Hall. Did you print any 1,000- and 5,000- and 10,000-mark notes?

Mr. HALL. No, sir; 10,000-mark notes? Nothing beyond 1,000.

Chairman BRIDGES. Nothing beyond 1,000?

Mr. HALL. No, sir.

Chairman BRIDGES. Thank you, very much.

## MARKS ISSUED BY FRENCH AND BRITISH

General Richards, we would like, first, to ask you if you know the number of marks issued by the British and the French. We have discussed the Russian situation and the American situation, but have not touched on the situation regarding these nations.

General RICHARDS. Those are issued through military government, and we would be glad to get the number for you and put it in the record. (The information requested is as follows:)

*Allied military marks placed in circulation by British and French as of Sept. 30, 1946*

	French zone of Germany	United Kingdom zone of Germany
Currency made available by SHAEF currency section.....	3,034,667,000	6,020,616,000
Allied military marks placed in circulation.....	579,801,000	1,795,279,208

Source of information: Allied Control Authority Report, CORC/P(46)379 dated Nov. 24, 1946. Information from Soviet zone of Germany not available.

The above data reflects latest available information submitted to the Allied Control Authority as of September 30, 1946.

Chairman BRIDGES. I would like to have the committee—Senator Knowland and Senator McKellar—check with me and correct me on the information we want from General Richards, from the War Department.

First, we want all cables, letters, and safe-hand messages, teletype communications, and memoranda sent by the War Department in Washington to General Eisenhower or to the theater commander in Europe, pertaining to occupation marks and to Russian occupation marks, or the policy of handling the same.

Second, all messages sent by General Eisenhower, in turn, to Lt. Gen. Bedell Smith or any subordinate on the same subject.

Third, any memorandum which Brigadier General Cobbs, finance officer, wrote or sent to his superiors, Generals Smith or Eisenhower, or others, or directly to the War Department on this matter.

Fourth, we would like the minutes of all conferences held by the State Department, War Department, Treasury Department, on this currency problem which the War Department, which you represent, participated in.

Fifth, we would like the records of the interoffice conferences in the War Department on the currency problem in the last month.

General RICHARDS. In the last month?

Chairman BRIDGES. Since this problem has come up for general discussion.

Now, do you have anything more on your own, General Richards, or does the War Department have any more that you would like to testify to voluntarily?

General RICHARDS. No, sir.

Chairman BRIDGES. Senator McKellar?

#### REPRESENTATIVES OF WAR DEPARTMENT IN RUSSIAN ZONE

Senator McKELLAR. Have we any representatives at all, or has the War Department, or any other Department, any representatives in that portion of Germany that is controlled by Russia, to wit, Berlin and the surrounding territory, controlled by Russia?

General RICHARDS. We have representatives in our section of Berlin.

Senator McKELLAR. How is that?

General RICHARDS. We have a headquarters in our section in Berlin.

Senator McKELLAR. You have a portion of Berlin set aside?

General RICHARDS. Yes, sir.

Senator McKELLAR. How much of it?

General RICHARDS. About one-quarter is my understanding.

Senator McKELLAR. And that is the only place where we have representatives?

General RICHARDS. Yes, sir.

Senator McKELLAR. How many have we there?

General RICHARDS. That is the headquarters of the military government section of the United States and British zone. I do not know how many there are, sir. I would have to check and find out.

Senator McKELLAR. Would you check and find out?

General RICHARDS. Yes, sir.

(The information requested is as follows:)

From information provided by Headquarters, European Command, Frankfurt, Germany, there are no military government representatives in the Russian zone in Berlin; however, there is a military liaison mission (reciprocal) located at Potsdam consisting of 14. Small American graves registration detachments are operating in and out of the Russian zone at irregular intervals. Russians in the United States zone total 116 broken down as follows: USSR military liaison mission (reciprocal), 14; total wives and children, 15; repatriation mission, 34; restitution mission, 1; reparations mission, 48; Chief of Council for War Crimes (Nuremberg), 4.

#### RUSSIAN REPRESENTATIVES IN UNITED STATES ZONE

Senator McKELLAR. Has Russia any representatives in the part assigned to the United States?

General RICHARDS. They might have a liaison officer or two over there. But I do not know the military government set-up in Berlin.

Senator McKELLAR. As a matter of fact, with the exception of the portion of Berlin that you speak of, the zones have been divided into four parts, and Great Britain has one, Russia has the principal one, I believe, and the United States has a small one. France also has one.

General RICHARDS. Yes, sir.

## ACCESS OF RUSSIANS TO UNITED STATES ZONE

Senator MORSE. Russia has relatively free access into our zone, does she not?

General RICHARDS. I think they can mix.

General FOSTER. I was just over there, in Berlin. I went over to the Russian zone, and nobody stopped me. I mean the Russian sector of Berlin. I will say this, that when I went out in the evening with any of our people, they said "We don't dare to cross that road to go in that direction because we may not come back." That was the feeling among the military.

Senator MORSE. My question is, the Russian Army officers and personnel have free access to the American zone, because I remember specifically when I was in Munich last fall I saw the Russian soldiers and officers in Munich. That is a long way removed from the Russian zone.

General FOSTER. I might say, sir, that they told me if I wanted to go in the Russian zone, the zone as distinguished from the Berlin area, which is divided into sectors—there is a zone outside of that, which they call the Russian zone—that I would have to get permission, and they would have to arrange for me to go over to that area.

Senator MORSE. That is very true as to the Americans going into the Russian zone. My question is whether or not we lay down any such hard and fast rules when it comes to the Russians coming into our zone.

General FOSTER. I would not know that, sir.

Senator MORSE. I think not. There may be some requirement that they have to give notice. But I think you will find that the American zone gives free access to the Russians, to which I have no objection.

## 5,000- AND 10,000-MARK NOTES IN CIRCULATION

Chairman BRIDGES. General Richards, will you also furnish us the date of the first knowledge that we had of any 5,000- or 10,000-mark notes in circulation, and how they came to our attention?

General RICHARDS. Yes, sir.

(The information requested is as follows:)

There is no record of 5,000- or 10,000- Allied military mark currency notes coming into use in the United States zone, Germany.

## ADDITIONAL INFORMATION REQUIRED OF WAR DEPARTMENT

Chairman BRIDGES. Then what we would like to do is to have your accounts available on the mark transactions, for the further information of representatives of this committee. We will not ask you to bring them up here, but we will go down there and check with you on any further phases of it that we would like to complete in this record.

General RICHARDS. Yes, sir.

## TRICOMMITTEE PROCEDURE

Chairman BRIDGES. It is our intention—Senator McKellar and Senator Morse are here and might concur—to have this record printed

after all of the material we have asked for, letters, memoranda, cables, and so forth, are presented to us and made available to the three committees—Armed Services, Banking and Currency, and Appropriations Committees—so that the committees, in turn, can study it.

After that, if there are any further phases that we want to examine into, we will reopen the hearings and recall any of the witnesses, or perhaps call new ones.

I have in mind that because he happens to be a key figure in the situation it might be desirable for us at that time to call former Secretary Morgenthau down here for examination.

We will wait until the things which we have requested are here, and the completion of the record and its printing and submission to the members of the committee, and their study, before deciding our future procedure.

Senator MORSE. Mr. Chairman, I have a suggestion. It may be a wise suggestion, and I will be glad to abide by the view of my colleagues on it. I think we need something more in the record than what we have. I think this record should be made available to the present Secretary of the Treasury, the present Secretary of State, and the present Secretary of War, on the basis of which we should request from them a memorandum as to what policy they think they wish to recommend in regard to rectifying what I think this record shows to be a very bad state of affairs as far as the handling of currency in the occupied territory is concerned.

I think we have a right to know now what our policy makers want to recommend in regard to this, because we have got to take the position as to action that should be taken in regard to this problem, and I do not think they should be allowed to "pass the buck" to us.

I think we have the right to say to the top administration officials—they can go to higher authority if they want to, including the entire Cabinet, so far as I am concerned, and the President—to find out what position the administration wants to take on this.

I think we are entitled to a statement from the administration as to what the policy should be, what they propose to make it from now on.

Chairman BRIDGES. Senator Morse, I agree with you. I think that when all of the exhibits which we have requested are in, and the evidence is printed, that we will submit without objection, and on your suggestion, to the Secretary of State, the Secretary of the Treasury, and the Secretary of War the whole record and ask specifically for their recommendations as to meeting the problem as it now exists.

Senator MORSE. I think it is a fair request.

Chairman BRIDGES. Senator McKellar, do you concur with that?

Senator MCKELLAR. All right.

Are there any other witnesses, Mr. Chairman?

#### COUNTERFEITING OF OCCUPATION CURRENCY

Chairman BRIDGES. One question which I did not go into, General Richards, which we should ask about, is the story that reaches us of the counterfeiting of the present military payment certificates. Have you evidence on that, and how are you dealing with it?

General RICHARDS. We spoke about that yesterday, sir. If you care to go into it further, I would be glad first to repeat what I said yesterday. If you care to go into it further, sir, I would be happy to do so in closed session.

About 4 weeks after we issued the new series of certificates, counterfeits began to appear. Measures were taken by the theater to ferret out the sources of the counterfeiting, to stop it, and also to stop the passage of counterfeiting notes within the theater itself.

Those measures took the form, since the \$10 military certificate was the only one counterfeited, of taking down the man's name and the serial number of each one of those notes which was passed. Shortly thereafter a verification was made as to whether or not that was a real note or whether it was a counterfeit.

From there on the process is rather highly secret, and not to be disclosed.

Chairman BRIDGES. Have you any further questions?

Senator MORSE. No; I do not.

#### RECESSING OF HEARINGS

Chairman BRIDGES. If not, this hearing will not conclude, but will recess, subject to the receipt of all information requested, the printing of the evidence, the submission to the top secretaries of the entire record for their recommendations to resolve the problem, and submission to the respective committees.

Senator McKELLAR. And subject to the call of the chair.

Chairman BRIDGES. Yes; and subject to the call of the chair.

(Thereupon, at 5 p. m. Wednesday, June 18, 1947, the committee adjourned, subject to the call of the chair.)



## APPENDIX A

### DOCUMENTARY TESTIMONY SUBMITTED BY THE STATE DEPARTMENT

The following letter and other documents were submitted to Chairman Bridges in response to a request during the June hearings on Allied occupation currency.

LETTER BY J. H. HILLDRING, ASSISTANT SECRETARY OF STATE, TO  
CHAIRMAN BRIDGES

ASSISTANT SECRETARY OF STATE,  
Washington, June 26, 1947.

The Hon. STYLES BRIDGES,  
Chairman, Committee on Appropriations,  
United States Senate.

DEAR SENATOR BRIDGES: I am transmitting to you herewith, in accordance with your request, the documentation in support of my testimony on June 18, 1947. The subjects of this hearing were set forth in your telegram of June 13 to the Secretary of State.

The enclosed documentation has been coordinated informally with the Treasury and War Departments in order to avoid unnecessary duplication of documents. For example, copies of pertinent directives of the Joint Chiefs of Staff are not enclosed herein since the War Department is furnishing you with these documents.

Any additional data pertinent to and of value in connection with the above subjects, which a further review of the records of this Department may disclose, will also be furnished to you as promptly as possible. I wish to assure you of the desire of the Department of State to cooperate with you to the fullest in facilitating the deliberations of the committees.

I shall be glad to come to your office at your convenience to introduce the enclosed documentation into my testimony.

Sincerely yours,

J. H. HILLDRING,  
Assistant Secretary

(See p. 0553, Appendix D, for copy of Telegram No. 85, subsequently furnished by the State Department.)

### ENCLOSURES

JUNE 26, 1947. A-3

### LIST OF TELEGRAMS, PARAPHRASED, AND OF OTHER DOCUMENTATION ENCLOSED IN LETTER TO SENATOR BRIDGES FROM ASSISTANT SECRETARY OF STATE HILLDRING RE OCCUPATION CURRENCY POLICIES AND PROCEDURES

1. Telegram, dated January 26, 1944, to Secretary of State from American Embassy, Moscow, re currency arrangements, Allied and Soviet occupying forces in Germany.
2. Telegram, dated January 28, 1944, to American Embassy, London, from Secretary of State, re currency arrangements.
3. Telegram, dated January 29, 1944, to Secretary of State from American Embassy, Moscow, re currency arrangements.

4. Letter, dated January 31, 1944, to Director, Civil Affairs Division, War Department, from Director of European Affairs, State Department, enclosing telegrams listed above as items Nos. 1 and 2.
5. Telegram, dated February 8, 1944, to American Embassy, Moscow, from Secretary of State, re printing of Allied military mark currency notes.
6. Telegram dated February 12, 1944, to Secretary of State from American Embassy, Moscow, re printing.
7. Telegram, dated February 15, 1944, to Secretary of State from American Embassy, Moscow, re Allied military mark currency printing plates desired by Soviet government, and rate of conversion for German mark currency.
8. Memorandum, dated February 21, 1944, to Mr. Dunn, Director, European Affairs, State Department, from Mr. Collado, Division of Financial and Monetary Affairs, State Department.
9. Copy of letter, dated February 23, 1944, to Director, Civil Affairs Division, War Department, from Director of European Affairs, State Department, enclosing copy of telegram listed above as item No. 7.
10. Telegram, dated February 29, 1944, to American Embassy, Moscow, from Acting Secretary of State, re rate of conversion for German mark currency.
11. Telegram, dated March 23, 1944, to American Embassy, Moscow, from Secretary of State, re Allied military mark currency printing.
12. Telegram, dated April 8, 1944, to Secretary of State from American Embassy, Moscow, re Allied military mark currency printing plates.
13. Telegram, dated April 11, 1944, to American Embassy, Moscow, from Secretary of State, re currency printing plates desired by Soviet government.
14. Copy of letter, dated April 13, 1944, from Chief, Division of Eastern European Affairs to Assistant to the Secretary, Treasury Department, enclosing paraphrase of telegram listed as No. 12 above.
15. Copy of memorandum, dated April 13, 1944, to Mr. Reinstein, Division of Financial and Monetary Affairs, State Department, from Mr. Luthringer, same Division.
16. Copy of memorandum of telephone conversation, dated April 14, 1944, by Mr. Dunn, State Department, regarding conversation with the Secretary of the Treasury.
17. Telegram, dated April 15, 1944, to American Embassy, Moscow, from Secretary of State, re currency printing plates desired by Soviet government.
18. Telegram, dated April 28, 1944, to American Embassy, Moscow, from Secretary of State, re rate of conversion for mark currency.
19. Copy of memorandum, dated August 3, 1944, to Mr. Collado, State Department, from Mr. White, Assistant to the Secretary, Treasury Department.
20. Telegram, dated August 4, 1944, to American Embassy, Moscow, from Acting Secretary of State, re rate of conversion for mark currency.

21. Telegram, dated August 7, 1944, to Secretary of State from American Embassy, Moscow, re rate of conversion.
22. Telegram, dated August 12, 1944, to the American Embassy, Moscow, from Acting Secretary of State, re rate of conversion.
23. Telegram, dated September 9, 1944, to American Embassy, Moscow, from Secretary of State, re rate of conversion.
24. Telegram, dated September 12, 1944, to Secretary of State from American Embassy, Moscow, re rate of conversion.
25. Joint statement by Treasury and War Departments, released October 3, 1944, with State Department concurrence, re Allied military mark currency and rate of conversion.
26. Telegram, dated November 10, 1944, from American Embassy, Moscow, to Secretary of State, re public announcement concerning Allied military mark currency and coordination of plans with Soviets.
27. Excerpt from Potsdam agreement, released August 2, 1945, re treatment of Germany as an economic unit and re common policies to be established in regard to currency and banking.
28. Excerpt from Quadripartite arrangements for control of Germany, Berlin, September 20, 1945, by Allied representatives, Berlin, re supplies of German mark currency to be furnished by the German authorities as the Allied representatives may require.
29. Excerpt from minutes of ninety-first meeting of Coordinating Committee, Allied Control Authority, Berlin, November 20, 1946, re Soviet statement that the Soviet military administration had ceased all issuance of military marks as from July 1, 1946.
30. List of State Department personnel.

PARAPHRASE OF TELEGRAM OF JANUARY 26, 1944, FROM THE AMERICAN  
AMBASSADOR AT MOSCOW

1. The question of currency arrangements during invasion and occupation of Germany was mentioned by Hamilton to Dekanozov during a call at the Embassy. Hamilton explained in reply to Dekanozov's query as to whether the matter was urgent that the question of the printing program and completion of the plates required early decision. It was said by Dekanozov that the matter was regarded as one requiring considerable study, that it had been put before the Soviet military financial people, and that a decision could not be reached immediately. The Soviets were requested by Hamilton to proceed with their consideration as expeditiously as possible.

2. The British Embassy here has been informed by the British Foreign Office that this matter is being raised by us with the Soviet Government and saying that they wish to harmonize any approach they might make to the Soviet Government with ours, the British Embassy has asked in what terms we presented the matter. The British Embassy has been informed of our instructions. On the basis of information received from the British Embassy, their instructions differ from ours in a number of respects. The presentation of a general scheme of invasion currency arrangements to the Soviet authorities is envisaged in the British plan. Provided these arrangements are agreed to by the Soviets, designs bearing inscriptions in Russian characters would be presented for Soviet approval, the notes

printed in the United States or United Kingdom, and as soon as stocks were available, sent to the Soviet Union. The question of working out any differences between the British and United States views will, we assume, be done in London and Washington. In order to avoid confusion here, it would be useful if we could be informed promptly of the status of our discussions on this subject with the British.

CE: HPL: RMU 1/29/44.

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**PARAPHRASE OF TELEGRAM OF JANUARY 28, 1944, FROM THE DEPARTMENT OF STATE TO THE AMERICAN AMBASSADOR AT LONDON**

The Department asked Ambassador Harriman by telegram, January 14, to clear with the Soviet Government the type of mark currency we expect to use in forthcoming operations. The United States and British Governments have reached general agreement on this type. The matter is before the Soviet military financial people according to the Soviet Foreign Office, and a reply is being awaited by us.

The British Embassy at Moscow, Mr. Harriman now advises us, has instructions from its Foreign Office which, in describing designs for mark currency, include inscriptions in Russian characters to be presented to the Soviets for their approval. The authorities of this Government handling civil affairs matters have never considered or approved the question of using on German military currency Russian characters. Until there has been a chance to discuss it with the proper officials of this Government and an agreement reached with regard to this matter, we hope that such a question will not be raised with the Soviet Government. You are requested to take this up at the earliest opportunity with the Foreign Office.

CE: HPL: RMU 1/29/44.

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**PARAPHRASE OF TELEGRAM RECEIVED**

From: American Embassy, Moscow.  
To: Secretary of State, Washington.  
Date: January 29, 1944.

**URGENT**

According to the British Embassy, it is in receipt of new instructions concerning the proposed currency arrangements for occupation forces of the Allies in Germany. The letter summarized below has been forwarded by the British Embassy to the Foreign Office:

1. It is the understanding of the British Embassy that details of currency arrangement worked out by British and U. S. authorities have been communicated to the Foreign Office by the American Embassy.

2. The British Government feels it most desirable that all occupation forces use same currency so far as possible. Inasmuch as plates and printing press may be demolished by the Germans, it is not safe to depend on adequate supply of reichsmarks. It is advisable to have another currency in reserve even if supply of reichsmarks is initially available, since inflation and financial chaos might develop later. The U. S. and British authorities are in agreement that a supply of marks shall be prepared and held ready for use by their troops. At the outset these marks would be used to pay Allied military forces in Allied-controlled districts even if fighting were still continuing in other portions of Germany. These marks would also be used on cessation of hostilities in the event sufficient marks are unobtainable from German Government or if conditions are chaotic.

3. Great importance is attached by the British Government to the Russian Government's participation in this arrangement.

4. The British understand that Mr. White has already discussed the plan with Russian representatives in Washington and the Russian Government, therefore aware agreement still must be reached on certain details. The British anticipate that arrangements will be worked out to include in the design suitable inscriptions in Russian characters, in view of the desirability of Russian authorities using same currency.

HARRIMAN.

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TELEGRAMS EXCHANGED BETWEEN STATE DEPARTMENT AND AMBASSADOR  
TO MOSCOW

JANUARY 31, 1947.

Maj. Gen. J. H. HILDRING,  
*Director, Civil Affairs Division,  
Office of the Chief of Staff, War Department,  
Pentagon Building, Washington, D. C.*

MY DEAR GENERAL HILDRING: There are enclosed herewith paraphrases of a telegram received from Ambassador Harriman at Moscow and of a telegram sent by the Department to Ambassador Winant in London, which was repeated to the American Embassy at Moscow, with regard to the question of currency arrangements during invasion and occupation of Germany. I am transmitting these telegrams to you without comment since I believe you will find them self-explanatory.

I feel sure that you will be in agreement with the message sent to Ambassador Winant.

Sincerely yours,

JAMES CLEMENT DUNN,  
*Director of European Affairs.*

Enclosure: (2) as stated.  
CE:HPL:RMU 1/29/44.

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REQUEST FOR COMMENT FROM RUSSIAN GOVERNMENT

From: Secretary of State, Washington.

To: American Embassy, Moscow.

Dated: February 8, 1944.

We shall have to begin printing starting February 14 at the latest, due to the necessity for going ahead with production of currency which was discussed in previous telegrams.

Since it will not be possible to effect any changes once the process of production begins, we are most desirous of receiving some comment from the Russian Government before February 14 if possible.

The production of sufficient currency to take care of Soviet requirements, if desired, is being contemplated. We are very desirous of ascertaining whether Soviet expects to use this kind of currency and if not, what type of currency they contemplate using.

HULL.

Eur: JCD: ACK.

## RUSSIAN REPLY DELAYED

From: American Embassy, Moscow.  
To: Secretary of State, Washington.  
Dated: February 12, 1944 (rec'd. 2/13/44).

This matter was discussed with the Foreign Office on February 10 and 11. We urged that the Soviet Government make some statement to us prior to February 14, if possible. It was indicated that it would probably be impossible for the Soviet Government to give us a reply by February 14 and we then inquired whether they could not give a preliminary answer or some indication of the attitude of the Soviet Government. The reference of this question to the proper authorities again was undertaken by the Foreign Office.

HARRIMAN.

## RUSSIAN VIEWS

From: American Embassy, Moscow.  
To: Secretary of State, Washington.  
Dated: February 15, 1944.  
Number: 509.

Molotov informed me by letter of February 14 of the Russian views respecting the proposed currency arrangements during the invasion and occupation of the Reich. In this letter it is stated that:

First. The wish of the British and American Governments to collaborate in the issuance of military currency in Germany during the invasion and occupation of the Reich by Allied armies is shared by the Soviet Government.

Second. The currency measures proposed by the Department of State, in particular the expediency of issuing military M-marks of the design, denominations, and sizes contemplated during this period, is agreed to by the Soviet Government.

Third. The expression "Allied military authorities" can expediently be printed on the currency.

Fourth. The Government of the USSR would like to receive the proposals of the Treasury Department with respect to the exchange rate of the M-mark and its relationship to the reichsmark.

Fifth. The Soviet Commissariat for Finance believes it to be expedient to print serial numbers on bank notes of all denominations not excluding those of small denominations.

Sixth. The Commissariat for Finance further considers that in preparing the currency it would be more correct to print a part of it in the Soviet Union in order that a constant supply of currency may be guaranteed to the Red Army.

Seventh. It will be necessary to furnish the Commissariat for Finance, in order that the M-marks may be of identical design, with plates of all denominations, a list of serial numbers, and models of paper and colors for printing M-marks when the necessity arises.

Molotov asks in conclusion that he be informed soon when the Commissariat for Finance may receive the prints, models of paper and colors, and list of serial numbers. Please instruct.

HARRIMAN.

CE:JWR:EB 2/22/44.

## DISCUSSION OF VALUE OF MARK TO THE DOLLAR

DEPARTMENT OF STATE,  
DIVISION OF FINANCIAL AND MONETARY AFFAIRS,  
February 21, 1944.

EUR—Mr. DUNN:

In accordance with our telephone conversation, I am sending to you the yellow of Moscow's No. 509.

The point of particular interest to FMA is the question raised in number 4. We request that the reply merely indicate that these questions are being given serious and continuing attention, and that the views of this Government will be transmitted when they are completely formulated. As I indicated we are about to clear with you and Mr. Acheson our definite statement of position as of this point on the German mark as well as certain other currencies. Our present contention is that the mark should be set at six to the dollar although this is subject to further revision as conditions change.

EMILIO G. COLLADO.

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STATE DEPARTMENT ASKS PARTICIPATION IN DECISION ON  
VALUE OF REICHSMARK

FEBRUARY 23, 1944.

Maj. Gen. J. H. HILLDRING,  
*Director, Civil Affairs Division,  
Office of the Chief of Staff,  
War Department, Pentagon Building,  
Washington, D. C.*

MY DEAR GENERAL HILLDRING With reference to my letter of January 31, 1944, enclosing paraphrases of telegrams exchanged between this Department and the American Embassies in London and Moscow with respect to currency arrangement during the invasion and occupation of Germany, I take pleasure in enclosing a paraphrase of a telegram under date of February 15 from Ambassador Harriman at Moscow setting forth the views of the Soviet Government on this question.

You may desire to call this question of military currency for Germany to the attention of the Treasury Department, particularly with respect to the problem of the exchange rate of the military currency. The Department of State would, however, like to be consulted before any decision is taken respecting the exchange rate for military currency and its relationship to the reichsmark.

Sincerely yours,

JAMES CLEMENT DUNN,  
*Director of European Affairs.*

(Enclosure: Paraphrase, telegram from Moscow, February 15, 1944.)

CE:JWR:EB EE.

2/22/44.

## WAR DEPARTMENT VIEWS AWAITED ON EXCHANGE RATES

From: Secretary of State.  
To: American Embassy, Moscow.  
Dated: February 29, 1944.

The War Department has been informed of the contents of the Soviet reply on the proposed currency arrangements as described in your recent message.

In regard to the fourth paragraph of Molotoy's reply, the question of the exchange rate is receiving attention in the Treasury, War, and State Departments, and when this Government's views are completely formulated they will be transmitted.

No reply has been made by the War Department as yet to the Soviet reply, paragraphs six and seven.

STETTINIUS.

CE:JWR:RMU.

## QUESTION OF DELIVERY OF CURRENCY PLATES TO RUSSIANS

From: Secretary of State.  
To: American Embassy, Moscow.  
Dated: March 23, 1944.

In a recent letter, the Secretary of the Treasury has advised the Department that due to difficulties which would come up relative to production of Allied mark currency if duplicate plates were made available to the Soviet, he has asked that the matter be placed before the Combined Chiefs of Staff by Admiral Leahy. The Russian Ambassador has been informed by Mr. Morgenthau of this step. He has also made available to the Russian Ambassador a memorandum prepared by technical experts of Treasury, setting forth in detail these difficulties which, in their opinion, would entail a six to eight months' delay. It is not expected that the Combined Chiefs of Staff will favor the delivery of plates to the Russians, in view of this very considerable delay.

HULL.

CE:JHM:RMU.

## NOTE FROM RUSSIA ON SOVIET POSITION

From: AMEMBASSY, Moscow.  
To: Secretary of State, Washington.  
Date: April 8, 1944.  
Number: 1227.

Following is a translation of paraphrase of a note from Molotov received today, concerning the proposed German currency arrangement:

QUOTE On February 14 I addressed a communication to you stating that the Soviet Government was agreed that the issuance of M-mark currency for Germany should be uniform as to size, value, and pattern as suggested by the United States and British Governments. In this regard I stated that in the interest of uninterrupted

supply to the Soviet Army of such currency it would be desirable that the M-marks be printed in the Soviet Union as well as in the United States.

As set forth in this communication the Soviet Government pointed out that it would be necessary for the Treasury Department of the United States to make available to the People's Commissariat of Finance banknote plates, samples of paper and colors for the printing of the M-marks, and lists of numbers so that uniformity of pattern and quality of printed military currency could be assured. There has as yet been no reply received to this note. According to the information which the Soviet Government has regarding the conversations in Washington between Messrs. Morgenthau and White and the Soviet Ambassador, it appears that the private concern engaged in printing the M-marks interposes objection to making available to the People's Commissariat for Finance the plates, samples of paper and colors, and lists of numbers, and that in the opinion of the Treasury Department of the United States there is no possibility of overcoming these obstacles. The Soviet Government cannot consider as sound the objections set forth on this point. Furthermore, the Soviet Government finds it necessary to reiterate its previous statement in regard to the necessity that military marks be prepared in the Soviet Union for supply to the Soviet Army in the eventuality that Soviet troops enter Germany. The Soviet Government in this connection has taken into consideration the point of view of Soviet specialists who believe that it would be a disadvantage for the common Allied cause if such military marks were not printed in the Soviet Union.

It would be appreciated if you would let me know whether a favorable decision can be reached in regard to the questions raised in this note and in the conversations between Messrs. Morgenthau and White and the Soviet Ambassador in Washington. In the event that the reply is in the negative, I must point out that the Soviet Government will then be forced to proceed with the independent preparation of military marks for Germany of its own pattern. **END QUOTE.**

HARRIMAN.

EE:CEB:EB.

Copy to: Mr. Harry White, Treasury Department.

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#### INTEREST OF STATE DEPARTMENT IN SOVIET REQUEST

From: Secretary of State, Washington.

To: American Embassy, Moscow.

Dated: April 11, 1944.

The Treasury has not fully informed us regarding its talks with the Russian Ambassador concerning the difficulties involved in procuring the banknote plates which the Soviet Government wishes. However, we are trying to facilitate a favorable decision in connection with the Soviet request and in a few days we hope to telegraph you the scheme which we think will meet the wishes of the Soviet Government.

HULL.

EE:CEB:EB.

## PARAPHRASE OF RUSSIAN TELEGRAM

Mr. HARRY D. WHITE,  
*Assistant to the Secretary,  
 Treasury Department, Washington, D. C.*

MY DEAR MR. WHITE: At Mr. James C. Dunn's request I am enclosing a paraphrase of Moscow's telegram number 1227 of April 8, 5 p. m., giving a communication from Mr. Molotov on the subject of banknote plates for German currency.

Sincerely yours,

CHARLES E. BOHLEN,  
*Chief, Division of Eastern European Affairs.*

Enclosure: Paraphrase of Moscow's 1227.

EE: CEB: EB.

4/13/44.

DISCUSSION OF METHOD OF ADVISING RUSSIANS OF U. S. CURRENCY  
 PROPOSALS

APRIL 13, 1944.

FMA—Mr. Reinstein

Attached is the previous file on the recent Moscow telegram with regard to the issue of mark invasion currency.

Mr. Collado asked me to direct your attention to the fact that the Soviet Government has never been advised with respect to point No. 4 of Moscow's 509 of February 15. I understand from what he said that at the meeting at the Treasury at which the mark exchange rate was discussed Mr. White raised some suggestion that the Soviet Government be informed with regard to our discussion of the mark rate. I understood Mr. Collado to say that Mr. White wished to inform the Russians through Mr. Chichulin. Mr. Collado, however, feels that this would be improper since Chichulin presumably has not been authorized to discuss such matters. Accordingly, Mr. Collado feels that the Russians should be informed by a telegram to Harriman in Moscow.

I do not know what you have done with the recent Moscow telegram under reference. I would suggest, however, that you discuss this aspect of the matter with Mr. Labouisse or Mr. Dunn.

GEORGE LUTHRINGER.

DECISION TO SUPPLY PLATES TO RUSSIA

DEPARTMENT OF STATE

MEMORANDUM OF TELEPHONE CONVERSATION

Date: April 14, 1944.

Subject: Duplicate plates to be furnished to the Soviet Government.

Participants: Mr. Henry Morgenthau, Jr., Secretary of the Treasury;  
 Mr. Dunn.

Copies to: S EE—Mr. Bohlen.

Mr. Morgenthau telephoned me this morning to say that he was informing the Soviet Ambassador this afternoon that the duplicate plates for the printing of the Allied military mark to be used in the

invasion of Germany would be furnished to the Soviet Government in response to that Government's request. He asked whether the Department of State was in favor of this action.

I replied that it was the opinion of this Department from the political point of view, aside from any military considerations or any technical questions or difficulties, that if possible it was highly advisable to have the duplicate plates furnished to the Soviet Government in order that the three Governments and the three Armies entering Germany would be using the same identical currency. The Soviet Government had informed us that if the plates were not furnished to it, that Government would proceed to produce a separate currency for use in Germany. It was our opinion that it would be a pity to lose the great advantage of having one currency used by the three Armies, which itself would indicate a degree of solidarity which was much to be desired not only for the situation in Germany but for its effect on the relations in many other aspects between the Soviet, British, and United States Governments.

Mr. Morgenthau said he was very glad to have this expression of the Department's views on this question as there might be some technical difficulties arise which would require Treasury to take over, under the President's War Powers, the plant which is now using the original plates for the production of these marks.

This question has been up between the United States and Soviet Governments since last November, and it has become perfectly clear to us as a result of the exchanges of correspondence on the subject that the Soviet Government is not ready to join in the common use of the same currency unless it receives the duplicate plates from us. In order to convince the Soviet Government of our sincerity in the desire to have the closest collaboration in these military operations against Germany, it becomes essential that we make every effort within our possibility to furnish the plates to that Government.

JAMES CLEMENT DUNN.

EUR: JCD: ACK.

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#### TREASURY DEPARTMENT TO WORK OUT DETAILS OF DELIVERY

From: Secretary of State.

To: American Embassy, Moscow.

Dated: April 15, 1944.

The Soviet Ambassador was informed by the Treasury yesterday that the banknote plates which the Soviet Government desired would be available very soon. All details concerning delivery and so forth will be worked out by the Treasury Department and the Soviet Embassy here. You are requested to confirm the foregoing to Moscow, although without doubt the Soviet Government has been informed by the Ambassador.

HULL

EE: CEB: EB.

## DIVERGENCE OF VIEWS ON CURRENCY EXCHANGE RATES

From: Secretary of State.  
To: American Embassy, Moscow.  
Dated: April 28, 1944.

The Treasury Department has stated informally to the Soviet financial experts here that no opinion has been formulated concerning the rate of exchange as yet. Among the various interested departments there is some divergence of view, and there has been indication of the range of this divergence. Advice has been given the Soviets that we would appreciate having their thoughts on the subject and discussing with them the whole matter. In addition they were asked as to their preference to holding the discussions in Washington or in Moscow, and it is expected within the next few days to have an answer to this last point.

HULL.

FMA :JJR:eph.

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ATTEMPT TO REACH AGREEMENT ON APPROPRIATE DOLLAR-STERLING-RUBLE RATE

TREASURY DEPARTMENT,  
*August 3, 1944.*

To: Mr. Collado.  
From: Mr. White.

Will you please send the following cable to the American Embassy, Moscow, for the People's Commissar of Finance, from the Secretary of the Treasury:

We have had discussions with the representatives of your Government in Washington and at their suggestion, we are communicating directly with you to obtain the views of the U. S. S. R. with regard to an appropriate dollar-sterling-ruble rate of exchange for the German mark and arrive at a decision which will be agreed to by the British, American, and Soviet Governments.

It is our view, and the British concur, that it would be highly desirable to postpone fixing a general rate of exchange for the mark until after the Allied armies have occupied Germany. We believe that a sound decision with respect to a rate of exchange can only be made after occupation when we have adequate economic data on conditions in Germany. When a rate is finally selected it should be one that the German economy can sustain, so that the Allies can avoid the disastrous political and economic consequences of successive depreciation during the early occupation period. In addition, a rate finally selected in this manner will more accurately reflect the value of the German mark and will avoid injury to the German internal economic balance.

Since it will be necessary, however, for the United States and British Armies to convert the pay of their troops expressed in dollars and sterling respectively into marks, and for other military expenditures, some conversion rate must be adopted. We assume that the armies of the U. S. S. R. will also require a conversion rate between rubles and marks for similar purposes. We therefore propose that the

Allied armies employ a nominal rate of exchange for the mark for such purposes only. This rate would not be announced in any public proclamation and could be altered at any time if conditions should warrant. However, we feel that it is important that the rates used by the respective armies should work out to a uniform cross rate so that the mark will not be given a different nominal rate value for military purposes by the different armies. Similarly, we believe that any changes in such a nominal rate should be made by agreement among the three governments.

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#### REQUEST FOR VIEWS ON RATE OF EXCHANGE BETWEEN ALLIED AND ENEMY CURRENCY

From: Secretary of State, Washington.

To: American Embassy, Moscow.

Dated: August 4, 1944.

Number: 1855.

Message which follows is from Secretary of Treasury Morgenthau to People's Commissar of Finance:

"At the suggestion of the representatives of your Government in Washington with whom we have had discussions, we are communicating with you directly to get the views of the USSR as to an appropriate rate of exchange between the German mark and the dollar-pound sterling-ruble and to reach a decision which will be agreeable to the Governments of the USSR, Great Britain, and the United States.

"The British concur with our view that to postpone determination of a general rate of exchange for the German mark until after the occupation of Germany by the Allied armies would be highly desirable. Only after the occupation when adequate economic information on conditions in Germany is available can a sound decision respecting the rate of exchange be made. To escape the disastrous economic and political effects of successive depreciation during the early period after occupation, the rate finally selected should be one that can be sustained by the German economy. Moreover, the rate finally chosen in this way will reflect the value of the German mark more accurately and will avoid doing injury to the economic balance within Germany.

"However, some conversion rate must be adopted because it will be necessary for the American and British armies to convert into marks the pay of their troops in dollars and sterling and for other military expenditures. It is assumed that a conversion rate between marks and rubles for similar purposes will also be required by the armies of the USSR. Accordingly, we suggest that for these purposes only a nominal rate of exchange for the mark be employed by the Allied armies. If conditions require it, this rate of exchange could be altered at any time. The rate would not be made known in any public proclamation. We believe that the different armies should not give a different nominal value to the mark for military purposes and that the rates used by the respective armies should give a uniform cross rate. We feel that any changes in the nominal rate should only be made pursuant to agreement among the three governments involved.

"Rates between six and eight marks to the dollar have been mentioned in discussions with the British as to what this nominal rate should be. It is our belief that a value around six marks to the dol-

lar would be preferred by the British. To reach agreement with them, we are willing to compromise on a rate of eight to the dollar though it is our view that the rate should be low, possibly ten marks to the dollar.

"A general rate of exchange should be established as soon after our entry into Germany as conditions permit, within a month or two in our judgment. Allied authorities would then apply this rate to all transactions under their jurisdiction.

"We urgently request the views of the USSR respecting the proposal of a nominal rate for the German mark to be used by the Allied armies and respecting the level of that rate."

According to our information an approach to the Soviet Government respecting this matter will likewise be made by the British.

FMA:HRS:eph

#### DIVERGENT INSTRUCTIONS TO BRITISH AMBASSADOR

From: American Embassy, Moscow.

To: Secretary of State.

Dated: August 7, 1944.

The Department's attention is requested for the considerations given below relative to the Department's recent cable instructing me to deliver a message to the Peoples Commissar for Finance from the Secretary of the Treasury.

(1) Somewhat divergent instructions both in regard to content and channel of communication have been received by the British Ambassador. Among other things he is instructed to make inquiry as to: (a) what ruble-mark rate the Russians propose to adopt for the pay of troops on entry into Germany; (b) whether it is intended to circulate at parity with the Reichsmark the Allied military currency which they will use.

(2) It is possible that the matter of fixing a ruble-mark rate may not be of the same importance to the Russians as it is to us and the British. It is probable that the Russians will furnish their troops with Allied marks or Reichsmarks in whatever amounts deemed necessary by them. Should these be deducted from the pay of the troops, which we doubt, the rate may very possibly be a variable one which they will doubtless be reluctant to reveal to outside parties.

(3) Instructions have been given the British Ambassador to approach the Soviet Government as such on this matter, and as soon as we have taken our action he expects to proceed through the normal channels. My opinion is that we in like manner should proceed through normal diplomatic channels for the reasons set forth below:

(a) That the Commissariat for Finance is the organ of Government exclusively or even primarily concerned with a matter of this nature, is doubtful. This Commissariat is essentially an internal organ of the Government, under the Soviet system. There is not much probability that the Commissar for Finance, who is not a prominent political figure, should play an important role in the decisions to be made on this question to which the Soviet Government will without doubt attach a strong political value.

(b) As it stands the communication requests the Soviet Government's opinions. If the Commissar for Finance should be requested

personally to set forth the official position of the Soviet Government on this question, I fear that it may cause offense.

(c) Generally, the disapproval of the Soviet Government to our making direct approaches to any Commissariats other than those of Foreign Affairs and Foreign Trade has been made clear.

(4) My belief is that divergent approaches through different channels by the British and us will not facilitate the solution of this problem. Further instructions will be appreciated, in view of the problem as set forth above.

HARRIMAN.

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#### PLAN OF ACTION BY AMERICANS AND BRITISH

From: Secretary of State, Washington.

To: American Embassy, Moscow.

Dated: August 12, 1944.

One. Questions pertaining to the introduction and use of Military marks have been reconsidered with the British and Treasury. We have agreed with British that we should make parallel approach to Russians along the following lines. The British in Washington have recommended to London that the British Ambassador in Moscow be sent similar instructions. This matter is rendered urgent by impending entry of Allied troops into Germany.

Two. The points on which we reached agreement with British (subject to concurrence of London) and on which we would like to reach an agreement with the Russians are noted below:

A. The general exchange rate for mark should not be established until some time after surrender; however, it should be established as soon after we enter Germany as circumstances necessitate. It will not be necessary to establish general rate of exchange for one Month or so after surrender, in our judgment. The general rate of exchange should be fixed by tripartite agreement and Allied authorities should apply this rate to all transactions controlled by them.

B. Before Allied forces enter Germany and general rate of exchange is established, the exchange rate for military purposes will have to be fixed. This exchange rate would be used for converting troop pay from pounds and dollars into marks and for other essential military purposes, at least in the case of the British and American armies. It is our belief that different armies should not give different values to the mark for military purposes and that rates which the different armies use should result in uniform cross rate of exchange. The military rate of exchange should be between eight Marks to dollar (thirty-two marks to the pound) and six marks to the dollar (twenty-four marks to the pound); if necessary, this rate could be adjusted subsequently.

C. The Reichsmark and the Allied military mark should be freely interchangeable and the Allied military mark should circulate at par with the Reichsmark. It is our expectation that military mark will continue circulating at parity with the Reichsmark. It is preferable that the rate between the military mark and Allied currencies be

changed (rather than establishing a differential rate between Reichsmark and Military mark) if any adjustments are necessitated by Reichsmark's depreciation.

Three. In spite of the possibilities mentioned in second paragraph of telegram, the points raised by you do not, in our opinion, affect the desirability of trying to reach an agreement on this matter. Inasmuch as this is one of the initial problems to arise with regard to occupation of Germany, we attach importance to reaching agreement in form, at least. It would be undesirable to suggest to Russians that the respective army groups act independently and consequently reach different decisions, in our opinion. Whether the Allied military mark is to circulate at par with the Reichsmark is a question of great importance and this question must be subject to agreement, in any event. The question of rate of exchange used by respective armies is not so important and we do not think divergence in rate would seriously hamper operations in Germany in the event the Russians do not agree to a uniform cross rate, as proposed above in Two B. It is our desire to make clear that we have no intention of raising questions or objections in the event the Russians follow the course proposed in paragraph 2 of your telegram.

Four. It is requested, if possible, that you obtain Soviet agreement on foregoing points. Concerning paragraph three of your telegram, you are authorized to use whatever manner you consider most effective in presenting this matter to the Soviets. At the suggestion of Russian financial experts now in Washington (who had been authorized by the Soviet Government to discuss these matters with this Government), message in our telegram was sent to Commissar for Finance from Morgenthau. They have reported our proposals to Commissariat for Finance, we understand. It is suggested that you advise Commissariat for Foreign Affairs of this fact and say that if our view could also be conveyed to Commissariat for Finance on his behalf, the Secretary of the Treasury would be grateful. Consequently, no action should be taken on our telegram; however, its contents should be of use to you for background in discussing matter with Russians.

Five. The approach which you make to the Russians on this subject should be parallel with that of the British Ambassador. We suggest that you act on this message only after similar instructions from London have been received by your British colleague.

STETTINIUS, (*Acting*).

FMA:JJR:HRS:il.

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#### DECISIONS ON A NUMBER OF POINTS

From: Secretary of State.  
To: American Embassy, Moscow.  
Dated: September 9, 1944.

Will you please convey to the Soviet Government the decisions as set forth in the following. Decisions have been made imperative on a number of these points because of the impending entry of American troops into German territory.

(one) Decision has been made that United States troops will receive their pay in Allied military marks converted at the rate of ten marks per dollar, upon their entry into Germany. There will not be a public announcement on this as it is not a general rate of exchange. This military rate is to be used only for the purposes of converting troop pay into marks and for such internal bookkeeping transactions as military operations make necessary.

(two) Circulation of Allied military marks will be at par with Reichsmarks to which they will be made equivalent.

(three) We feel that a general rate of exchange between the mark and external currencies should not be fixed until some time after the entry into Germany of the Allied armies. As soon as desirable after the entry of our forces, a general rate of exchange would be established.

Recent Department cables have indicated the considerations which have led us to make the decisions as given above. They have also been given to financial representatives of the Soviets here in Washington.

You should make the observation outlined below, in presenting the matter to the Soviet Government.

(a) Concerning the military rate, although there is no need for Soviet procedures in regard to military expenditures to be identical in all respects with ours, it is our desire that the Soviet Government may find it possible in arranging for military expenditures in marks, to adopt procedures which would be consistent with a rate of the order we have chosen.

(b) If we could receive the agreement of the Soviet Government to the adoption of an internal rate of one Allied military mark to one Reichsmark, it would be appreciated.

(c) Of course, we will keep the Soviet Government closely advised of developments in regard to currency in the territory which our forces occupy and of all action taken by our troops in this respect. If we could be similarly advised as to action and developments in German territory occupied by Soviet forces, it would be appreciated.

The British Ambassador, we understand, will also be receiving instructions on these matters from his government. Whether or not they will be identical with the above, we do not know, but you should proceed with the foregoing at any event.

London received a repeat of the foregoing cable.

HULL.

FMA:JJR:jco.

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BRITISH AMBASSADOR UNINSTRUCTED

From: American Embassy, Moscow.

To: Secretary of State, Washington.

Dated: September 12, 1944.

The substance of Department's telegram concerning the Allied military mark has been transmitted to Molotov in my letter dated September 11. As yet no instructions in this connection have been received by the British Ambassador.

HARRIMAN.

## JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

## WAR DEPARTMENT

BUREAU OF PUBLIC RELATIONS, PRESS BRANCH

Telephone Re. 6700, Br. 3425-4860

OCTOBER 3, 1944.

Military forces under General Eisenhower are using Allied Military marks in German territory. Allied Military marks circulate at par with Reichmarks. No general rate of exchange between the Allied Military mark or Reichmark and the dollar has been established. For purposes of computing the pay of troops, however, a provisional basis of 10 marks to the dollar is being used. The Union of Soviet Socialist Republics has been kept fully informed concerning this action.

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REQUEST REPEATED FOR INFORMATION ON RUSSIA'S PLAN FOR USE OF  
MILITARY CURRENCY

From: AMEMBASSY, Moscow.

To: Secretary of State, Washington.

Dated: Novembr 10, 1944.

Number: 4313.

Department's 2487, October 20, 1944.

I wrote to Vyshinski on the twenty-fifth of October to advise him regarding public announcement respecting the Allied military mark which War and Treasury Departments made. In addition I repeated the request for information on Soviet plans for the use of the military currency in Germany which request was originally made in Ambassador Harriman's September 11 letter to Molotov. To date no response has been received.

KENNAN.

11-13-44.

DCR:EMS.

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POTSDAM AGREEMENT

JOINT REPORT ON RESULTS OF THE ANGLO-SOVIET-AMERICAN  
CONFERENCE (BERLIN 1945)

Released August 2, 1945

[Excerpts]

\* \* \* \* \*

## III. GERMANY

\* \* \* \* \*

14. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

- (a) Mining and industrial production and allocations;
- (b) Agriculture, forestry, and fishing;

- (c) Wages, prices, and rationing;
- (d) Import and export programs for Germany as a whole;
- (e) Currency and banking, central taxation and customs;
- (f) Reparation and removal of industrial war potential;
- (g) Transportation and communications.

—  
[Excerpt]

SEPTEMBER 20, 1945.

**QUADRIPARTITE ARRANGEMENTS FOR CONTROL OF GERMANY BY ALLIED  
REPRESENTATIVES, BERLIN**

20. The German authorities will supply free of cost such German currency as the Allied Representatives may require, and will withdraw and redeem in Germany currency, within such time limits and on such terms as the Allied Representatives may specify, all holdings in German territory of currencies issued by the Allied Representatives during military operations or occupation, and will hand over the currencies so withdrawn free of cost to the Allied Representatives.

—  
**REPORTS ON THE ISSUE OF ALLIED MILITARY MARKS**

[Excerpt]

**ALLIED CONTROL AUTHORITY COORDINATING COMMITTEE**

**MINUTES OF THE NINETY-FIRST MEETING HELD IN BERLIN ON 26 NOVEMBER  
1946 AT 1430 HOURS**

The meeting considered CORC/P(46)379.

The Soviet Member declared that the Soviet Military Administration had ceased all issuance of Military Marks as from 1 July 1946. He stated that information relating to Marks put into circulation was being collected at present and would be presented to the Coordinating Committee on completion of this work.

The Chairman took note of the paper submitted and of the Soviet Member's declaration.

The British Member expressed regret that there was no report from the Soviet Delegation on this matter. He indicated that the stability of German currency was a question which directly affected all Zone Commanders. It was a part of the German economy which one would have thought could have been worked as a whole today. He thanked the Soviet Member for his statement regarding the cessation of the issue of Military Marks and expressed the hope that further information could be received as soon as possible. The British Delegation regarded financial arrangements as fundamental to the economic life of the zones.

The American Member subscribed to the remarks made by the British Member.

*The Meeting:*

(689) took note of CORC/P(46)379 and of the Soviet Member's statement.

LIST OF DEPARTMENT OF STATE PERSONNEL ACQUAINTED WITH  
TRANSFER OF PRINTING PLATES

List of Department of State personnel in 1944 acquainted by their own knowledge, according to records of this Department, with negotiations concerning the transfer of Allied Military mark currency printing plates to the Soviet authorities in Washington; or with negotiations with the Soviet authorities concerning uniform currency procedures in Germany and a uniform rate of conversion for mark currency (last four names of list).

1. Mr. James C. Dunn
2. Mr. Charles E. Bohlen
3. Mr. H. Freeman Matthews
4. Mr. Henry R. Labouisse, Jr.
5. Mr. James W. Riddleberger
6. Mr. Emilio G. Collado
7. Mr. George Luthringer
8. Mr. Harold R. Spiegel
9. Mr. Jacques J. Reinstein

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APPENDIX B

DOCUMENTS SUBMITTED BY TREASURY DEPARTMENT

The following letter to Chairman Bridges of the Senate Committee on Appropriations, and other documents were submitted by the Treasury Department to supplement testimony given during the public hearings on Occupation Currency Transactions.

LETTER TO SENATOR BRIDGES

TREASURY DEPARTMENT,  
Washington, June 27, 1947.

HON. STYLES BRIDGES,  
*Chairman, Senate Appropriations Committee,  
United States Senate, Washington 25, D. C.*

MY DEAR SENATOR: Enclosed herewith are documents, data and statements furnished to the Joint Committee on Appropriations, Banking and Currency, and Armed Services, in accordance with requests made to Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury, Mr. Joseph J. O'Connell, General Counsel for the Treasury Department, and Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, at the hearing, regarding Occupation Currency Transactions, held on June 18, 1947.

For the convenience of the Committee, the material furnished is attached to listings of the material under subject headings as follows:

1. List of memoranda, orders, directives, and other records and documents pertaining to the decision to provide plates and materials for printing Allied Military Marks to the U. S. S. R., and the implementation of that decision, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with requests

to Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury, Mr. Joseph J. O'Connell, General Counsel for the Treasury, and Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, at the hearing, regarding Occupation Currency Transactions held on Wednesday, June 18, 1947.

2. Identification of documents, of which the Treasury Department has knowledge, but cannot furnish, regarding the decision to provide materials and plates for printing Allied Military Marks to the U. S. S. R., submitted by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request to Mr. A. N. Overby, Special Assistant to the Secretary of the Treasury, at the hearing, regarding Occupation Currency Transactions, held on Wednesday, June 18, 1947.

3. Data regarding the cost of printing all special currencies for the War and Navy Departments, and the French Provisional Government, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request made to Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, at the hearing, regarding Occupation Currency Transactions, held on Wednesday, June 18, 1947.

4. Statement regarding the cost of the plates and materials for printing Allied Military Marks delivered by the Bureau of Engraving and Printing to the U. S. S. R., furnished by Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request made to him at the hearing, regarding Occupation Currency Transactions, held on Wednesday, June 18, 1947.

5. Statement regarding information in the files of the United States Treasury Department concerning whether the decision to provide plates and materials for printing Allied Military Marks to the U. S. S. R. was cleared by the White House or was the subject of a conference of the Big Three, furnished by Mr. Andrew N. Overby, Assistant to the Secretary of the Treasury, to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request made to him at the hearing, regarding Occupation Currency Transactions, held on Wednesday, June 18, 1947.

6. List of personnel of the Treasury Department who were assigned to North Africa or Europe on Treasury duties or visited these areas for the Treasury on special missions of some duration during the war period, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request to Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury, at the hearing, regarding Occupation Currency Transactions, held on Wednesday, June 18, 1947.

In connection with the documents attached to the listing under subject heading 1, the Treasury Department has included a copy of every document sent to or received from the Soviet Government found in the files of the Treasury Department.

In the interest of avoiding duplication of material furnished, the Treasury Department has informally discussed its submission with the Department of State and the War Department.

The Treasury Department holds itself ready to submit any further information and material within its knowledge, concerning the subject matters raised at the hearing, required by your Joint Committee in its deliberations.

Very truly yours,

ANDREW N. OVERBY,  
*Special Assistant to the Secretary.*

(Enclosures.)

*Identification of documents, of which the Treasury Department has knowledge, but cannot furnish, regarding the decision to provide materials and plates for printing Allied military marks to the Union of Soviet Socialist Republics, submitted by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request to Mr. A. N. Overby, Special Assistant to the Secretary of the Treasury at the hearing regarding occupation-currency transactions, held on Wednesday, June 18, 1947*

(Wherever possible, each item contains a notation regarding the possible source of the document)

1. Cable dated January 7, 1944, from London to the British Embassy in Washington. Possible source: British Embassy, Washington, D. C.
2. Cable No. 85 dated January 14, 1944, from Department of State to Ambassador Harriman in Moscow. Possible source: State Department.
3. Cable dated January 26, 1944, from Ambassador Harriman in Moscow to the Department of State, in reply to Cable No. 85, January 14, 1944.
4. Cable No. 294, dated January 29, 1944, from Ambassador Harriman in Moscow to the Department of State.
5. Cable No. 244 dated on or about February 8, 1944, from Department of State to Ambassador Harriman in Moscow. Possible source: State Department.
6. Cable No. 509 dated February 15, 1944, from the American Embassy, Moscow, to the Secretary of State, Washington. Possible source: State Department.
7. Pertinent data to this problem is contained in document C.C.A.C. 69/3 dated March 21, 1944, particularly paragraph 1 of Appendix B, entitled "Financial Guide." Possible source: Combined Civil Affairs Committee (War Department Files).
8. Document entitled "C. C. S. 525 regarding transfer of allied mark currency printing plates to U.S.S.R." Possible source: Combined Chiefs of Staff.
9. Document C.C.A.C. 81, Series March and April 1944, particularly paragraph 7, C.C.A.C. 81/1 of April 11, 1944. Possible source: Combined Civil Affairs Committee.

10. Cable No. 1227 dated April 8, 1944, from American Embassy, Moscow to the Secretary of State, Washington. Possible source: State Department.
11. Letter dated April 13, 1944, from the Combined Chiefs of Staff by G. C. Marshall, Chief-of-Staff, U. S. Army, The Combined Chiefs of Staff, Washington, to the Secretary of the Treasury. Possible source: Already produced for the record by Assistant Secretary of War Petersen.

*Data regarding the cost of printing all special currencies for the War and Navy Departments, and the French Provisional Government, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request made to Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, at the hearings, regarding occupation currency transactions, held on Wednesday, June 18, 1947*

1. Data regarding the Allied Military mark currency printed for the War Department.
2. Data regarding Allied Military lira currency printed for the War Department.
3. Data regarding Allied Military schilling currency printed for the War Department.
4. Data regarding Allied Military yen currency printed for the Navy and War Departments.
5. Data regarding the Committee French franc currency printed for the French Government.
6. Data regarding the supplemental French franc currency printed for the War Department.
7. Data accumulating other data regarding special currencies printed for the War and Navy Departments and the French Provisional Government by the Bureau of Engraving and Printing.

#### BUREAU OF ENGRAVING AND PRINTING

##### *Allied Military Mark Currency Printed for the War Department*

Denomination (marks)	Number of notes shipped	Face value (marks)
1/4.....	75,448,000	37,724,000
1.....	114,296,000	114,296,000
5.....	75,896,000	379,480,000
10.....	77,800,000	778,000,000
20.....	75,544,000	1,510,880,000
50.....	61,120,000	3,056,000,000
100.....	48,084,000	4,808,400,000
1,000.....	4,532,000	4,532,000,000
Total .....	632,720,000	15,216,780,000
Total cost billed War Department.....		\$844,429.52
Refunds.....		94,974.91
Net cost.....		749,454.61

The Bureau of Engraving and Printing was reimbursed by the War Department for the actual cost of printing mark currency.

	Date	No. of Notes	Face Value (Marks)	Date Completed
First Order.....	February 17, 1944.....	349,500,000	10,000,000,000	May 12, 1944.
Second Order.....	May 13, 1944.....	174,750,000	5,000,000,000	July 19, 1944.

*Allied Military Lira Currency Printed for the War Department*

Denomination (Lira)	Number of Notes Shipped	Face Value (Lire)
1.....	82,210,000	82,210,000
2.....	73,792,000	147,584,000
5.....	131,976,000	659,880,000
10.....	135,872,000	1,358,720,000
50.....	143,692,000	7,184,600,000
100.....	260,000,000	26,000,000,000
500.....	67,710,000	33,855,000,000
1,000.....	73,300,000	73,300,000,000
Total.....	971,662,000	142,613,024,000
Total cost billed War Department.....		\$2,569,530.58
Refunds.....		39,576.62
Net cost.....		\$2,529,953.96

The Bureau of Engraving and Printing was reimbursed by the War Department for the actual cost of printing lira currency.

*Allied Military Schilling Currency Printed for the War Department*

Denomination	Number of Notes Shipped	Face Value (Schillings)
50 groschen.....	100,000,000	50,000,000
1 schilling.....	200,000,000	200,000,000
2 schilling.....	100,000,000	200,000,000
2½ schilling.....	122,088,000	3,227,200,000
Total.....	522,088,000	3,677,200,000
Cost of Printing.....		\$750,810.58

The Bureau of Engraving and Printing was reimbursed by the War Department for the actual cost of printing schilling currency.

*Military Yen Currency*

Denomination	Number of Notes Shipped	Face Value (Yen)
<b>Printed for Navy Department:</b>		
10 sen.....	123,456,000	12,345,600
50 sen.....	98,688,000	49,344,000
1 yen.....	90,176,000	90,176,000
5 yen.....	44,240,000	221,200,000
10 yen.....	70,380,000	703,800,000
20 yen.....	13,560,000	270,120,000
100 yen.....	16,391,000	1,639,400,000
Total.....	456,840,000	2,991,385,600

*Military Yen Currency—Continued*

Denomination	Number of Notes Shipped	Face Value (Yen)
<b>Printed for War Department:</b>		
10 sen.....	21,856,000	2,185,600
50 sen.....	21,344,000	10,672,000
1 yen.....	29,984,000	29,984,000
5 yen.....	12,600,000	63,000,000
10 yen.....	42,240,000	422,400,000
20 yen.....	26,408,000	528,160,000
100 yen.....	31,792,000	3,179,200,000
Total.....	186,224,000	4,235,601,600
Grand total.....	643,064,000	7,221,987,200
Total cost billed Navy Department.....		\$1,093,123.90
Refunds.....		278,153.80
Net cost.....		814,970.10
Total billed War Department.....		400,077.59
Refunds.....		0,778.18
Net cost.....		399,299.41
Total net cost.....		1,214,269.51

*Committee French Frano Currency Printed for the French Government*

Denomination (Francs)	Number of Notes Shipped	Face Value (Francs)
50.....	290,000,000	14,500,000,000
100.....	950,000,000	95,000,000,000
500.....	100,000,000	75,000,000,000
1,000.....	250,000,000	250,000,000,000
5,000.....	5,000,000	25,000,000,000
Total.....	1,645,000,000	459,500,000,000
Total cost billed French Government.....		\$3,424,560.41
Refunds.....		201,184.15
Net cost.....		3,223,376.26

The Bureau of Engraving and Printing was reimbursed by the French Government for the actual cost of printing Committee French franc currency.

*Supplemental French Frano Currency Printed for the War Department*

Denomination (Francs)	Number of notes shipped	Face value (Francs)
2.....	200,000,000	400,000,000
5.....	160,000,000	800,000,000
10.....	80,000,000	800,000,000
50.....	40,000,000	2,000,000,000
100.....	144,000,000	14,400,000,000
500.....	20,000,000	10,000,000,000
1,000.....	40,000,000	40,000,000,000
5,000.....	2,720,000	13,600,000,000
Total.....	656,720,000	82,000,000,000
Total cost billed War Department.....		\$1,309,429.97
Refunds.....		350,222.70
Net Cost.....		\$959,207.27

The Bureau of Engraving and Printing was reimbursed by the War Department for the actual cost of printing Supplemental French franc currency.

*Special Currencies Printed for the War and Navy Departments and the French Provisional Government*

Title	Number of notes shipped	Cost of printing
Allied Military Lira.....	971,662,000	\$2,529,953.96
Allied Military Mark.....	532,720,000	749,451.61
Allied Military Schilling.....	529,088,000	786,310.58
Military Yen:		
War Department.....	186,224,000	\$399,299.41
Navy Department.....	456,840,000	814,970.10
Supplemental French Franc.....	643,061,000	1,214,263.51
	686,720,000	953,204.27
Total.....	3,363,254,000	6,233,722.93
Committee French Franc:		
Printed for the French Provisional Govern-		
ment.....	1,645,000,000	3,223,682.26
Grand Total.....	5,008,254,000	9,457,405.19

STATEMENT AND DATA REGARDING THE COST OF THE PLATES AND MATERIALS FOR PRINTING ALLIED MILITARY MARKS DELIVERED BY THE BUREAU OF ENGRAVING AND PRINTING TO THE UNION OF SOVIET SOCIALIST REPUBLICS, FURNISHED BY MR. A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, U. S. TREASURY DEPARTMENT, TO THE JOINT COMMITTEES ON APPROPRIATIONS, BANKING AND CURRENCY, AND ARMED SERVICES, IN ACCORDANCE WITH A REQUEST MADE TO HIM, AT THE HEARING, REGARDING OCCUPATION CURRENCY TRANSACTIONS, HELD ON WEDNESDAY, JUNE 18, 1947.

Statement of Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, United States Treasury Department.

Attachments:

Document dated July 13, 1944, entitled "First Shipment Overseas."

Document dated April 16, 1944, listing 12 items.

Document entitled, "Shipment to replace portion of first shipment overseas."

Document entitled, "Second Shipment Overseas."

Document entitled, "Summary of Cost of Overseas Shipment."

Statement of items delivered to the U. S. S. R. for which payment in full was received from the Soviet Union on March 16, 1946.

STATEMENT OF MR. A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, UNITED STATES TREASURY DEPARTMENT

The attached documents itemize the cost of the plates and materials for printing Allied Military Marks delivered to the Union of Soviet Socialist Republics by the Bureau of Engraving and Printing.

As indicated in the attachments, the total cost of the materials and plates for the printing of Allied Military Marks delivered to the

Union of Soviet Socialist Republics was \$18,102.84, of which \$284.74 covered the cost of the plates.

The Soviet Government has not reimbursed the Bureau for these deliveries.

In addition to the above materials, the Bureau of Engraving and Printing has made shipment to the Soviet Government of dry colors and other miscellaneous materials, at a total cost of \$13,238.40.

Payment in full of this \$13,238.40 was received from the Soviet Government on March 16, 1946.

*First shipment overseas, July 13, 1944*

Material	Amount (pounds)	Amount in lbs (pounds)	Total	At	Cost
Ramapo Green.....	250	3.2	253.2	\$3.60	\$911.52
Monastral Blue.....	250	1.3	251.3	4.50	1,130.85
Carbon Black.....	250	5.2	255.2	.13	33.18
Alkali Blue Toner.....	250	2.3	252.3	.75	189.23
Rose Toner.....	250	1.6	251.6	3.35	842.86
Rhodamine Toner.....	250	1.9	251.9	2.70	702.80
Victoria Blue Toner.....	250	1.9	251.9	3.00	755.70
Milori Blue.....	250	1.6	251.6	.44	110.70
Watchung Red.....	250	4.4	254.4	1.55	394.32
Brilliant Green.....	250	2.2	252.2	1.95	491.79
Chrom Yellow Light.....	250	5.0	255.0	.45	114.75
Methyl Violet Toner.....	250	.2	250.2	1.33	332.77
Chrome Yellow Medium.....	250	4.2	254.2	.15	38.13
Medium Lithol Red.....	250	1.0	251.0	.60	150.60
Lakeline.....	3,209	31.4	3,231.4	.25	743.22
#0 Pale Lithographic Varnish.....	250	3	253	.17	43.01
#0 Regular Lithographic Varnish.....	18	1	19	.16	3.04
#1 Pale Lithographic Varnish.....	800	8	808	.18	153.62
#1 Regular Lithographic Varnish.....	1,300	13	1,313	.18	236.34
#2 Pale Lithographic Varnish.....	200	3	203	.18	36.54
#5 Regular Lithographic Varnish.....	160	1	161	.19	30.59
#6 Pale Lithographic Varnish.....	48	1	49	.17	8.33
#5 Pale Lithographic Varnish.....	600	5	605	.20	121.00
#3 Pale Lithographic Varnish.....	39	1	40	.14	5.60
Hard Drying Varnish.....	115	3	118	.18	21.24
Long Varnish.....	65	1	66	.05	3.30
Embossing Varnish.....	24	1	25	.20	5.00
Cobalt Drier.....	112.5	1	113.5	.32	36.32
Aluminum Stearate.....	25	1	26	.24	6.24
Ox Drier.....	30	1	31	.19	5.89
Hi Gloss Varnish.....	100	1	101	.23	23.23
Aluminum Hydrate.....	100	1	101	.13	13.13
#00 Pale Lithographic Varnish.....	100	1	101	.17	17.17
Total Cost of Raw Materials.....					7,711.91
Estimated Cost of Labor and Crating.....					1,890.00
Total.....					9,601.91

APRIL 15, 1944.

1. One blue print of drawings A-1489, A-1490, and A-1501.
2. Two copies of specifications for paper.
3. Two copies of specifications for currency—marks.
4. Formulas for each of the inks (including formulation procedure).
5. Proofs of the numbering blocks.
6. Pint samples of each ink.
7. Samples of each component of each ink, including oils.
8. Specimen of paper showing watermark.
9. Spectrophotometric curves of the colors of the inks.
10. Tint blocks of all colors.
11. List of positive and negative plate numbers.
12. Forty-six plates (Twenty-three each positive and negative).

*Shipment to replace portion of first shipment overseas*

Material	Amount (pounds)	At	Cost
Ramapo Green.....	250	\$3.60	\$900.00
Victoria Blue Toner.....	250	3.00	750.00
Lakeline.....	800	.23	184.00
#2 Pale Lithographic Varnish.....	200	.19	38.00
#00 Pale Lithographic Varnish.....	120	.17	20.40
Aluminum Hydrate.....	100	.13	13.00
Hard Drying Varnish.....	120	.18	21.60
Long Varnish.....	65	.05	3.25
#6 Pale Lithographic Varnish.....	48	.17	8.16
#0 Regular Lithographic Varnish.....	13	.16	2.88
Ox Drier.....	25	.19	4.75
Hi Gloss Varnish.....	100	.23	23.00
Cobalt Drier.....	112	.32	35.84
Aluminum Stearate.....	25	.24	6.00
Embossing Varnish.....	24	.20	4.80
#3 Pale Lithographic.....	39	.14	5.46
Cost of Raw Materials.....			2,021.14
Labor and Material for Boxing.....			200.00
Total Cost.....			2,221.14

*Second shipment overseas*

Material	Amount (pounds)	At	Cost
Chrome Yellow—Medium.....	990	\$0.15	\$148.50
Carbon Black.....	250	.13	32.50
Ramapo Green.....	168	3.60	604.80
Medium Lithol Red.....	219	.60	131.40
Watchung Red.....	121	1.55	187.55
Chrome Yellow—Light.....	100	.45	45.00
Alkali Blue Toner—Green Tone.....	100	.75	75.00
Milori Blue—Green Tone.....	85	.44	37.40
Victoria Blue Toner.....	80	3.00	240.00
Monastrol Blue.....	74	4.50	333.00
Brilliant Green Toner.....	51	1.95	99.45
Rhodamine Toner.....	48	2.79	133.92
Rose Toner.....	47	3.35	157.45
Methyl Violet Toner.....	10	1.33	13.30
Lakeline.....	1,400	.23	322.00
#0 Pale Lithographic Varnish.....	70	.17	11.90
#0 Regular Lithographic Varnish.....	28	.16	4.48
#1 Pale Lithographic Varnish.....	580	.19	110.20
#1 Regular Lithographic Varnish.....	664	.18	119.52
#2 Pale Lithographic Varnish.....	356	.19	67.64
#3 Regular Lithographic Varnish.....	30	.16	4.80
#6 Pale Lithographic Varnish.....	20	.17	3.40
#5 Pale Lithographic Varnish.....	267	.20	53.40
#3 Pale Lithographic Varnish.....	20	.14	2.80
Hard Drying Varnish.....	60	.18	14.40
Long Varnish.....	47	.05	2.00
Embossing Varnish.....	8	.20	1.60
Cobalt Drier.....	45	.32	14.40
Aluminum Stearate.....	5	.24	1.20
Ox Drier.....	7	.19	1.33
Hi-gloss Varnish.....	10	.23	3.08
Aluminum Hydrate.....	45	.13	5.85
#00 Pale Lithographic Varnish.....	40	.17	6.80
Total (ink, materials).....	6,062		2,990.35
Labor and materials for crating.....			1,282.49
Total.....			4,272.84

*Summary of cost of overseas shipments*

	Shipment #1	Replacement	Shipment #2
Cost of Raw Materials.....	\$7,711.91	\$2,021.14	\$2,990.35
Labor and Crating.....	<sup>1</sup> 1,890.00	<sup>1</sup> 200.00	1,282.49
Totals.....	9,601.91	2,221.14	4,272.84

<sup>1</sup>Approximate.

Total Cost of Raw Materials..... \$12,723.40  
 Total Cost of Labor and Crating..... 3,372.49

Total..... 16,095.89

## Cost of items and services shown on statement dated April 15, 1945:

No. 1.....	( <sup>1</sup> )
No. 2.....	( <sup>1</sup> )
No. 3.....	( <sup>1</sup> )
No. 4.....	\$5.00
No. 5.....	1.00
No. 6.....	12.50
No. 7.....	50.00
No. 8.....	( <sup>1</sup> )
No. 9.....	6.00
No. 10.....	( <sup>1</sup> )
No. 11.....	2.00
No. 12.....	284.74

Total..... 361.24

<sup>1</sup>No charge.

Grand total of materials and services furnished the Soviet Union  
 for which it did not reimburse the bureau..... \$18,102.84  
 Materials..... 16,095.89  
 Services..... 361.24

Total..... 16,457.13  
 Overhead 10%..... 1,645.71

Grand total..... 18,102.84

Shipments of dry colors and other miscellaneous materials were made to the Soviet Union on November 2, 1945, February 11, 1946, and February 19, 1946, the total cost of which was \$13,238.40. Payment in full was received from the Soviet Union on March 16, 1946.

(Statement regarding information in the files of the United States Treasury Department concerning whether the decision to provide plates and materials for printing Allied military mark currency to the Union of Soviet Socialist Republics was cleared by the White House or was the subject of a conference of the Big Three, furnished by Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury, to the Joint Committee on Appropriations, Banking and Currency, and Armed Services, in accordance with a request made to him at the hearing regarding occupation currency transactions, held on Wednesday, June 18, 1947.)

STATEMENT OF ANDREW N. OVERBY, SPECIAL ASSISTANT TO THE SECRETARY, UNITED STATES TREASURY DEPARTMENT

A search of files of the United States Treasury Department has disclosed no information concerning whether the decision to provide plates and materials for printing Allied Military Marks to the U. S. S. R. was cleared by the White House or was the subject of a conference of the Big Three.

(List of personnel of the Treasury Department who were assigned to North Africa or Europe on Treasury duties or visited these areas for the Treasury on special missions of some duration during the war period, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with a request to Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury, at the hearing regarding occupation currency transactions, held on Wednesday, June 18, 1947)

London:

Casaday, Lauren W.....	August 21, 1941-September 24, 1943; December 4, 1943-June 24, 1944.
Snider, Delbert A.....	November 18, 1942-November 2, 1943; October 27, 1944-February 19, 1945. <sup>1</sup>
Hanley, William S.....	February 1, 1944-December 7, 1945. <sup>1</sup>
Taylor, William H.....	May 1, 1944-May 10, 1946.
Aarons, Lehman.....	June 19, 1941-October 28, 1944.
Hoffman, Michael.....	August 4, 1944-February 23, 1945.
Saxon, James J.....	September 15, 1944-October 13, 1944.
Mann, James H.....	September 20, 1944-May 13, 1945.
Tomlinson, William.....	December 18, 1944-October 1, 1946.
Nicoll, John.....	January 24, 1945-September 21, 1945.
Mayer, Miss Belle.....	June 10, 1945-July 28, 1945.
Kennedy, Sidney.....	August 15, 1945-present.
Bramwell, Miss Kathryn G....	November 12, 1945-January 26, 1946. <sup>2</sup>
Gunter, John W.....	April 17, 1946-present.

Algiers:

Glasser, Harold.....	January 7, 1943-August 31, 1943.
Hoffman, Michael.....	January 7, 1943-April 22, 1944.
McGrew, Donald.....	January 7, 1943-August 22, 1944.
Murphy, Joseph.....	January 7, 1943-January 13, 1944.
Patterson, Gardner.....	January 7, 1943-January 27, 1944.
Saxon, James J.....	January 7, 1943-June 28, 1944.
Snider, Delbert A.....	January 7, 1943-October 31, 1944.
Greeson, Boyd.....	January 12, 1943-March 27, 1943. <sup>1</sup>
White, David.....	June 8, 1943-October 21, 1943.
Mikesell, Raymond F.....	August 30, 1943-October 31, 1943.
Ackerman, Leonard.....	September 30, 1943-October 31, 1944.
O'Flaherty, Edward W.....	September 30, 1943-January 14, 1944.
Chapman, Lloyd A.....	February 16, 1944-July 31, 1944. <sup>1</sup>

Paris:

Saxon, James J.....	October 1, 1944-December 12, 1944.
Ball, Theodore.....	November 23, 1944-November 4, 1945.
Wolfenson, George.....	December 19, 1944-June 16, 1947.
Snider, Delbert A.....	February 21, 1945-January 19, 1946. <sup>1</sup>
	January 28, 1946-present.
Sachs, Jerome.....	March 1, 1945-May 23, 1945.
Mann, James.....	April 16, 1945-April 30, 1945.

Berne:

Ostrow, Walter W.....	January 15, 1945-present.
Munn, James.....	May 1, 1945-present.
Combs, I. Newton, Jr.....	April 8, 1945-September 16, 1946.
McGrew, Donald W.....	June 10, 1946-present.

<sup>1</sup> On detail from the Navy.

<sup>2</sup> As disbursing officer for civilian agencies of U. S. Government.

## Rome:

Tasca, Henry J.----- March 1, 1945-present.  
 Pollack, Seymour----- August 22, 1945-November 7, 1945.

## Brussels:

Marks, Matthew----- May 12, 1945-September 11, 1946.  
 Alk, Isadore----- June 13, 1945-July 8, 1945.

Stockholm: Saxon, James J.----- August 4, 1945-October 10, 1945.

Lisbon: Wood, James E.----- May 19, 1943-January 9, 1946.

## Frankfurt:

Hanley, William S.----- December 8, 1945-February 23, 1946.<sup>1</sup>  
 Bramwell, Miss Kathryn G.----- January 24-September 24, 1946.<sup>1</sup>

## Special assignments:

Glasser, Harold----- Feb 1, 1944-June 3, 1944, Italy, Spain and Portugal.

King, Eldon P.----- Apr. 15, 1944-Aug. 19, 1944, England and South Africa (via North Africa).

Glendinning, C. Dillon----- May 15, 1944-Dec. 26, 1944, England and various points in Continental Europe.

<sup>1</sup> As disbursing officer for civilian agencies of U. S. Government.

In addition to the individuals listed above, the records of the Treasury Department show that other personnel visited these areas on special Treasury missions of brief duration, or were loaned to or recruited for service with the War Department on a reimbursable basis or were loaned or detailed to the State Department, the Office of Strategic Services, or other departments or agencies for various duties or missions to these areas.

The records of the Treasury Department do not show, in most cases, which of the many present or former Treasury personnel who served in the armed forces during the war period may have been assigned to these areas by the Army or the Navy, or the nature of their duties.

(List of memoranda, orders, directives, and other records and documents pertaining to the decision to provide plates and materials for printing Allied military marks to the Union of Soviet Socialist Republics and the implementation of that decision, furnished by the Treasury Department to the Joint Committees on Appropriations, Banking and Currency, and Armed Services, in accordance with requests to Mr. Andrew N. Overby, Special Assistant to the Secretary of the Treasury; Mr. Joseph J. O'Connell, General Counsel for the Treasury, and Mr. A. W. Hall, Director of the Bureau of Engraving and Printing, at the hearing, regarding occupation currency transactions, held on Wednesday, June 8, 1947)

1. LETTER FROM H. D. WHITE, ASST. TO THE SECRETARY OF THE TREASURY TO HIS EXCELLENCY, THE AMBASSADOR OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

FEBRUARY 9, 1944.

His Excellency, THE AMBASSADOR OF THE UNION OF  
 SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: I am enclosing for your information photostatic copies of A. M. mark currency that it is proposed should be used by the Allied Armies in the invasion of Germany. It would be appreciated if you would cable descriptions of these notes to your Government in order to keep the Government informed as to our

plans here. I am attaching a paraphrase of a cable that is being sent to Ambassador Harriman in Moscow in respect to this matter.

Present production plans call for the turning out of 10 billion marks as follows:

Denomination	Number of notes (in millions)	Value of notes (millions of marks)	Denomination	Number of notes (in millions)	Value of notes (millions of marks)
50 pfg.....	50	25	50 m.....	40	2,000
1 m.....	75	75	100 m.....	31.5	5,150
5 m.....	50	250	1,000 m.....	3	3,000
10 m.....	50	500			
20 m.....	50	1,000		319.5	10,000

Very truly yours,

(Signed) H. D. White,  
H. D. WHITE,  
*Assistant to the Secretary,*

2. LETTER FROM N. MATVEEVA, SECRETARY TO THE AMBASSADOR, EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, TO DR. H. D. WHITE, ASST. TO THE SECRETARY, TREASURY DEPARTMENT

EMBASSY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., February 11, 1944.*

Dr. H. D. WHITE,  
*Assistant to the Secretary,  
Treasury Department, Washington, D. C.*

DEAR Dr. WHITE: Ambassador Gromyko asked me to thank you for your letter of February 9th with the enclosed photostatic copies of the A. M. mark currency which is proposed to be used by the Allied Armies in the invasion of Germany.

Very truly yours,

N. MATVEEVA,  
*Secretary to the Ambassador.*

3. LETTER FROM H. K. LOUGHRY, MAJOR GENERAL, CHIEF OF FINANCE. OFFICE OF THE FISCAL DIRECTOR, HEADQUARTERS, ARMY SERVICE FORCES, WASHINGTON, D. C., TO HONORABLE D. W. BELL, UNDERSECRETARY OF THE TREASURY

HEADQUARTERS ARMY SERVICE FORCES,  
OFFICE OF THE FISCAL DIRECTOR,  
*Washington 25, D. C., 17 February 1944.*

SPFEGG

Honorable D. W. BELL,  
*Under Secretary of the Treasury,  
Treasury Department, Washington 25, D. C.*

DEAR MR. BELL: Reference is made to the arrangements, with which it is understood you are familiar, to provide the Supreme Commander, Allied Expeditionary Forces with a supply of Allied Military Mark currency.

It is requested that the Treasury Department now arrange to print the currency according to the design agreed upon and in the denominations indicated below:

Denomination	Order	Number of notes (in millions)	Sheets	Value of notes (millions of marks)
50 pf. ....	6148	50	500,000	25
1 m. ....	6149	75	750,000	75
5 m. ....	6150	50	500,000	250
10 m. ....	6151	50	793,656 <sup>596</sup> <sub>3</sub>	500
20 m. ....	6152	50	1,000,000	1,000
50 m. ....	6153	40	800,000	2,000
100 m. ....	6154	31.5	630,000	3,150
1,000 m. ....	6155	3	10,000	3,000
		349.5	.....	10,000

I have designated an officer of the Receipts and Disbursements Division of my office as liaison officer on this matter, and he has been instructed to confer with Mr. Hall of your office on any details which may arise with reference to printing, crating, shipping, etc.

I will be pleased to provide any additional information which you may desire with reference to this matter.

It will be appreciated if you can arrange whenever it is convenient to provide my office with two complete sets of specimen notes.

Sincerely yours,

H. K. Loughry,

H. K. LOUGHRY,

*Major General, Chief of Finance,*

*Acting Fiscal Director.*

This is to be the formal order from the War Dept. for Invasion Currency—Germany.—Per Mr. Long.

2/19/44

K.

4. MEMORANDUM FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDERSECRETARY OF THE TREASURY

MARCH 3, 1944.

To: D. W. Bell, Under Secretary of the Treasury.

From: A. W. Hall, Director.

In conversation with you this morning you indicated that a proposal had been advanced to furnish the Russian Government with plates identical to those now being used in the printing of invasion currency for Germany. To acquiesce to such an unprecedented request would create serious complications.

To permit the Russian Government to print a currency identical to that being printed in this country would make accountability impossible. More particularly, it has been an inviolable custom of bank-note manufacturers to retain in their possession all plates which they use for the printing of any currency or bonds for any country, bank, or private institution. This well-established rule would never, under any circumstances, be waived by any security printing plant in this country.

The present contractor for the printing of invasion currency for Germany is under heavy bond to insure against the misappropriation, loss, or improper use of plates, paper, and printed currency. In addition to the safeguards established by the contractor to insure against irregularities, there are stationed in the contractor's plant representatives of this bureau, guards of the Uniformed Force of the United States Secret Service, and Secret Service agents, all of whom are charged with the responsibility of performing surveillance over the contractor's activities. These representatives have in their actual charge photographic positives and printing plates. All printing plates which are manufactured by the contractor from photographic positives supplied by the Bureau of Engraving and Printing are made under the supervision of these representatives, and all plates which become defective on the press are subsequently removed from service and destroyed under the supervision of the representatives. In short, every reasonable precaution is taken to protect not only the interests of the United States Government but also those of the contractor. The necessity for this is quite obvious when it is understood that if unauthorized use of the printing plates were made a national, and indeed an international, scandal might result. I do not believe that under any circumstances would the contractor agree to the manufacture of duplicate plates to be printed by any agency outside of his plant. Furthermore, it is doubtful that the Treasury Department could force him to do so. Almost certainly his bond would become forfeit if such an arrangement were resorted to.

The process employed in the manufacture of the invasion currency is extremely complex and must be carried on under ideal and controlled conditions. This process, while not peculiar to the contractor, has been highly developed by him. A variation in the process or procedure for the manufacture of the plates and the printing of the currency would result in significant differences in the appearance of the currency.

Likewise, the inks that are employed, while manufactured in the Bureau of Engraving and Printing, have been made and adapted to the contractor's process of printing. These inks are hygroscopic and are affected adversely by certain climatic conditions. Almost certainly the differences in the climate in Russia would be such as to interfere seriously with the inks which would be supplied.

The present designs for the invasion currency for Germany were developed with the knowledge that almost surely attempts would be made in counterfeiting. While no claim is made that these designs are counterfeit-proof, the manufacture of reasonable similitudes would be difficult. To add further protection to these designs, considerable research was performed to develop inks in colors which would make photographic separation difficult. To maintain these colors in proper balance to deter successful photographic separation of the composite designs requires extreme painstaking effort and calls for precise and scientific controls in the various printing operations. This bureau has found that, even though supplied with all available data, the contractor has not been able, without the assistance of members of the technical staff of this bureau, to maintain the color, density, and character of the printed impressions. A departure from the color standards which have been established would make photographic separation and subsequent counterfeiting of the impressions relatively simple.

It might also be added that to remove from this country by any known method of transportation complete designs in the form of plates, photographic negatives, or positives, which might inadvertently fall into the hands of the enemy, would be extremely unwise.

This bureau stands ready and willing to assist the Russian Government in the development of new designs of invasion currency for Germany and to manufacture negatives, positives, or actual printing plates in such number as might be required for their use. Expeditious handling of this project can be assured and it is not believed that the time interval required in the making of these designs would be such as to interfere seriously with the printing and subsequent issuance of this currency in Russia. In this connection we should also be glad to supply inks and to assist in the procurement of paper of suitable characteristics for the printing of invasion currency. We shall also be glad to act in any advisory capacity, looking toward complete co-operation with the Russian Government and its representatives.

5. ROUTING SLIP AND DRAFT OF REPLY TO RUSSIAN REQUEST FOR CURRENCY PLATES FROM D. W. BELL, UNDERSECRETARY OF THE TREASURY, TO MR. TAYLOR

Routing Slip

TREASURY DEPARTMENT

OFFICE OF THE UNDER SECRETARY

Date: MARCH 8, 1944.

To: Mr. Taylor.

From: D. W. Bell.

Discussed at meeting of Mr. Bell and Mr. White with the Secretary on March 9, 1944. It was decided not to send this cable but that the Secretary would discuss the matter orally with the Soviet Ambassador.

MARCH 8, 1944.

Draft 2

DRAFT OF REPLY TO RUSSIAN REQUEST FOR CURRENCY PLATES

Reference is made to Paragraph numbered seven of your cable No. 509 of February 15, 1944, concerning mark currency.

The Treasury has endeavored to meet the request of the Russian Government but finds it rather difficult because of the conditions hereinafter set forth.

To meet the increasing demands for invasion currency it has been necessary for the Treasury to secure the services of an outside, privately-owned printing plant, which now has possession of the plates. In order to secure full protection in work of this character, it has been an inviolable, long-standing custom of bank note manufacturers to retain in their possession all plates used for the printing of any currency or bonds for any country, bank or private institution. We are sure the Russian Government will recognize the necessity for this policy of strict control.

Despite this long-standing custom we have consulted the contractor regarding the request of the Russian Government and while he would

like to cooperate in the matter, he has just informed us that he is compelled to advise, after very careful consideration, that if the plates or duplicates thereof are taken out of his possession for any purpose whatever, he will have to ask the Treasury to relieve him of his contract and all liability and accountability under his bond. For your information in this connection, this contractor is under heavy bond to the United States Government to insure the latter against misappropriation, loss or improper use of plates, paper and the printed currency. You can readily understand, therefore, his concern.

Furthermore, our technicians have advised that because of the variations in process, procedure and temperature controls which would be brought about through changing from one manufacturing plant to another, or from one country to another, even though identical plates are used, there would result very significant differences in the color appearance of the currency. We are certain that it would be difficult to explain such color differences to the populace of an invaded country.

Under all the circumstances it is hoped that the requirements of the Russian Government for this currency can be met from the total supply printed in the United States and made available to the United States Army, in the same manner as the requirements of Great Britain will be met. We are just now getting into full production and expect to produce each week \_\_\_\_\_ notes of all denominations. We should be pleased to receive an estimate of the Russian requirements and a time schedule of deliveries which would meet that Government's requirements.

6. MEMORANDUM FOR THE FILES REGARDING A MEETING IN MR. BELL'S OFFICE ON MARCH 7, 1944

*Memorandum for the files*

Meeting in Mr. Bell's office, March 7, 1944.

Present: Mr. Bell, Mr. White, Mr. Aarons, Mr. Taylor.

The meeting was held at the request of Mr. White in order to review the Soviet request that plates and other materials for the printing of A. M. mark currency should be made available to the Soviet Commissariat of Finance. Mr. White said that he had read with considerable interest the memorandum of March 3 from Mr. Hall to Mr. Bell on this subject, but that he was somewhat troubled with the views expressed therein, which indicated that we could not make these plates available to the Russians. Mr. White said that, in all probability, such an answer would be construed by the Russians as expressing a lack of trust and confidence in their handling of the plates.

Mr. Bell said that it would be very difficult to make the plates available to the Russians. The Treasury had never made currency plates available to anybody and private companies would probably prove even more adamant on this point. In this instance, he said, the plates were the property of the Forbes Company in Boston and if we insisted that they should make duplicate sets available to the Russians, it was possible that the Forbes Company would simply refuse to print any further currency for us, on the grounds that security control had been removed and they could not be responsible for any-

thing that might happen to the printing of currency from that time on. Mr. Bell said that he was sure that we could print enough currency to make such sums available to the Russians as they might desire, and that we could have the first shipment ready for them before the Russians could start manufacturing currency from plates that we might make available to them. In this connection, Mr. Aarons asked if it would not be possible to have the Bureau of Engraving and Printing cut down on its production of A. M. lire and use its facilities for the printing of A. M. marks. Mr. Bell replied that the Forbes Company might not be happy over the prospect of making the plates available, even to the Bureau of Engraving and Printing, inasmuch as it would split the responsibility for the control of production. Mr. Bell further stated that he did not think production in this case was a bottleneck; that they could step the program up, even using only the productive capacity of the Forbes plant.

Mr. White reiterated that he was loathe to turn the Russian request down without further review of the matter. He called attention to the fact that in this instance we were not printing American currency, but Allied currency and that Russia was one of those allies who must be trusted to the same degree and to the same extent as the other allies. He wondered if it wouldn't be possible to talk to the Russian Ambassador here and without settling the question concerning the plates at this time, ask the Russians what their currency needs in A. M. marks would be as of a series of specific dates; say, April 1, May 1, June 1, etc. If the Russians would give us such information, it might then be possible to talk to them in terms of delivering the currency in adequate amounts and at the places where desired as of these particular dates. In this connection, Mr. White said that he thought that it would be advisable to review the whole matter with the Secretary before proceeding further. In the event that it was still considered inexpedient to make the plates available to the Russians at this time, Mr. White further advised that the matter should be cleared with the State and War Departments. Unless State concurrence were obtained in this matter, it would be possible for the charge to be made at a later date that the Treasury, without considering the political implications of its action, had rejected this proposal on a narrow accountancy basis.

Mr. Bell said that he would review the matter again and would discuss it with Mr. White at a subsequent meeting.

W. H. TAYLOR.

#### 7. MEMORANDUM FOR THE FILES SIGNED BY H. D. WHITE

MARCH 18, 1944.

##### *Memorandum for the files:*

Ambassador Gromyko called at the Secretary's house at 6 o'clock. He had asked that morning to see the Secretary that day. White was present. The Ambassador said that he had just received from his government a confirmation of the request that the Soviet Government be given a set of A. M. mark plates and material as outlined in the cable which we had received earlier. He said he had explained to his government the difficulties of which Secretary Morgenthau had informed him but that his government would like to get the plates and the material notwithstanding. He said, incidentally, that his govern-

ment had not asked for the paper necessary to print the notes but merely for a sample of the paper.

The Secretary replied that he was sorry that the Soviet Government still wanted the plates after his explanation of the difficulties and that he had not expected that they would. He said he would like again to explain the difficulties which the request made for us from the point of view of preparation of the currency within the scheduled time. He said that since he had last spoken to the Ambassador that the Treasury had again contacted the Forbes Company about the request. The Forbes Company repeated its insistence that it could not go on with the contract if a duplicate set of plates were given out. The Secretary stressed the fact that we were prepared to make available to the Soviet Government the currency that they needed whereas if we were to give them a duplicate set of plates the matter would be delayed long beyond what he thought was the time schedule provided to us by the Army.

He urged the Ambassador to send some of his representatives to the Forbes Company Plant in Massachusetts to talk with their people there and to see the magnitude of the task. He thought that if they would do that they would have a better idea of the difficulties that would beset the Soviet Government in the printing job should we meet the Soviet Government's request for the plates. The Ambassador responded that he would be glad to send these men up but he doubted very much if it would make any difference at all in the request of his government. The Secretary then said he would get the exact information of the time that would be required to produce the necessary currency if the Treasury had to take over the job from the Forbes people, and also the time that it would require for the Soviet Government to begin production on a large scale if the plates were to be sent to them now. He said he would look into the matter once again in all its details and would inform the Ambassador within 48 hours of the information he obtained.

H. D. WHITE.

## 8. MEMORANDUM FOR THE SECRETARY

MARCH 21, 1944.

### *Memorandum for the Secretary:*

In respect to the request from the Russian Commissariat of Finance that duplicate plates for the printing of A. M. mark currency be made available to it by the U. S. Treasury, for the purpose of printing A. M. mark currency for the use of Russian troops, the following difficulties present themselves:

1. To meet the demands of the War Department for A. M. Mark Currency within the time limits specified by the Supreme Commander, it has been necessary for the Treasury to secure the services of an outside privately owned printing plant. This plant now has possession of the plates. In order to secure full protection in work of this character, it has been an inviolable, long-standing custom of banknote manufacturers to retain in their possession all plates used for the printing of any currency or bonds for any country, bank or private institution. We have twice consulted the contractor regarding the request of the Russian Government and while he would like to cooperate in this matter, he has informed us, orally and in writing, that he is com-

pelled to advise us, after very careful consideration, that if the plates or duplicates thereof are taken out of his possession for any purpose whatsoever, he will have to ask the Treasury to relieve him of his contract and all liability and accountability under his bond. In this connection, this contractor is under heavy bond to the U. S. Treasury to insure the latter against misappropriation, loss or improper use of plates, paper and the printed currency. We have checked the attitude of this contractor with officials of the largest American banknote company, and they have informed us that under no circumstances would they countenance making plates or duplicates thereof available to anyone else. Furthermore, they know of no instance where such practice has been followed involving the printing of notes or bonds of the same design by two different printing establishments.

2. Our technicians have advised that because of the variations in process, procedure, and temperature controls which would be brought about through changing from one manufacturing plant to another, regardless of location, even though identical plates are used, there would result very significant differences in the color appearance of the currency. Such differences would facilitate counterfeiting of this currency. Security against counterfeiting is based in large part upon the absolute uniformity of color and design between notes. Any variations in color shades or slight modifications in design would tend to confuse the public and the financial control authorities, and create an atmosphere in which counterfeiters would flourish.

3. If a decision is taken to send plates to Russia, the following time delay would ensue before the U. S. S. R. could get into production:

Preparation of extra set of positives.....	1 week
Minimum air time required to ship positives to U. S. S. R.....	2 weeks
Time necessary in U. S. S. R. before production could begin.....	4 to 6 weeks
Total time necessary.....	7 to 9 weeks

4. If the plates were shipped, and the contract were cancelled by the Forbes Company (thus necessitating taking over the job by the Bureau of Engraving and Printing), the time required to complete the order in the Bureau would be six to eight months. This is to be compared with the present production schedule by the Forbes Company under which by the middle of May 10 billion marks by value and 349 million individual notes will have been completed.

The production delay in the Bureau is due to the fact that the Bureau has only one two-color offset press. All others are single-color. These presses are now engaged in printing stamps for liquor, beer, cigarettes, cigars, and automobile tax; disbursing officers' checks; transportation requests; postal savings certificates; and various other jobs. To undertake the completion of mark currency on single-color presses would multiply offset printing and related work more than four-fold. It is necessary to keep current all jobs now being produced on this type of press. By working around the clock on the few presses which could be assigned to mark currency, provided pressmen were available, would require from six to eight months to complete the present order. It is understood that additional orders in large quantities will be received in the near future.

5. If the Government of the U. S. S. R. should decide to use A. M. mark currency made available to it from the total supply printed in the United States, it would be possible to provide these marks in such quantities and at such places as might be deemed necessary by the

Russians in accordance with our production schedules and the currency requirements of General Eisenhower.

6. The Russian request to print their own currency might be met by suggesting to them that they print a mark currency of their own design. In this connection, the Treasury would be glad to assist the Soviet Government in the development of new designs of military mark currency. It would require six weeks to prepare models and make positives for a new design of mark currency, provided models are approved within two days after submission. The Bureau will, if desired, manufacture negatives and positives from which the actual printing plates can be made in the U. S. S. R. in such number and size as might be required.

The use of a separately designed mark currency by the U. S. S. R. need not raise any economic or financial difficulties. It is possible to agree on conditions which would assure maintenance of both designs at parity with each other. However, it may be politically undesirable at this time to give the appearance of lack of financial uniformity among the three powers.

9. LETTER FROM H. MORGENTHAU, JR., SECRETARY OF THE TREASURY, TO ADMIRAL WILLIAM D. LEAHY, CHIEF OF STAFF TO THE COMMANDER IN CHIEF, U. S. ARMY AND NAVY, WASHINGTON

MARCH 22, 1944.

Admiral WILLIAM D. LEAHY,

*Chief of Staff to the Commander in Chief of the United States Army and Navy,  
Room 201, Combined Chiefs of Staff Building,  
19th and Constitution Avenue,  
Washington, D. C.*

DEAR ADMIRAL LEAHY: The Treasury Department, at the present time, is engaged in the printing of an Allied Mark Currency for use by the Allied Forces in Germany. Some time ago, the designs for this currency were approved by the American, British and Russian Governments. In the discussions concerning this currency in Moscow, the officials of the Soviet Commissariat of Finance stated their desire to have duplicate sets of the plates made available to them, in order that they may guarantee the printing of sufficient marks for the needs of the Red Army. The attitude of the Russians is set forth in an attached cable, under date of February 15, 1944, from Ambassador Harriman.

I have had several conversations with the Soviet Ambassador concerning this matter. The difficulties in acceding to the Russian request are set forth in the attached memorandum, a copy of which has been made available to the Soviet Ambassador. In spite of the difficulties in meeting this request, the Soviets are very insistent in their desire to obtain duplicate plates and specimen models of the paper and inks that we are using in the production of this A. M. Mark Currency.

The chief difficulty in acceding to the Russian request arises out of the fact that to meet the demands of the War Department for the A. M. Mark Currency within the time limits we have been given, it has been necessary for the Treasury to secure the services of an outside, privately owned printing plant, the Forbes Lithograph Manufacturing

Company, Boston. The Forbes Company advises us that if the plates or duplicates thereof are taken out of its possession for any purpose whatsoever, it will have to request the Treasury to relieve it of its contract and all liability and accountability under its bond. This would necessitate the completion of the order by the Bureau of Engraving and Printing and there would ensue a delay of six to eight months for reasons set forth in the attached memorandum.

Under date of March 7, General Eisenhower advised the U. S. War Department that he desired assurances that 40-45 percent of the initial order for 10 billion A. M. marks would be completed by April 15, 1944. It would not be possible to obtain this objective if the printing of the currency were taken over by the Bureau of Engraving and Printing. It would therefore be appreciated if you would place this matter before the Combined Chiefs of Staff and advise me promptly whether in their opinion the military situation would afford such a delay as would be involved in the event that duplicate plates were made available to the Government of the U. S. S. R.

I have advised the Russian Ambassador that I have put this question up to the Combined Chiefs of Staff and that he will be informed as soon as a reply is forthcoming from that body.

Very truly yours,

(Signed) H. MORGENTHAU, JR.,  
*Secretary of the Treasury.*

10. MEMORANDUM FOR THE FILES SIGNED BY H. D. WHITE

MARCH 22, 1944.

*Memorandum for the Files:*

At Secretary Morgenthau's instructions I called on Ambassador Gromyko of the U. S. S. R. last night at the Embassy. I referred to the Secretary's promise made Saturday that he would inform the Ambassador within 48 hours of the facts re printing of the A. M. marks. I told him that the Secretary had asked me to explain to the Ambassador what he had been informed would be the situation with respect to the delays that would be caused in completing the order for military marks if duplicate plates were to be sent to Moscow.

As directed by the Secretary, I read him the memorandum dated March 21 that was prepared for the Secretary on the subject.

The Ambassador asked a number of questions with respect to the details and I tried to expand on the reasons why it would require six to eight months to produce marks in the Bureau of Engraving and why it might be unwise to have the Army take over the Forbes plant under the War Powers Act and attempt to operate it. He kept coming back with a question which he asked a number of times, namely, why the Forbes Company should object to giving a duplicate set of plates to his Government. He said that after all the Soviet Government was not a private corporation or an irresponsible government. I explained to him how both the Forbes Company and the American Banknote Company felt but I am afraid he remained unimpressed with the reasons I offered.

As instructed, I explained to him that Secretary Morgenthau was sending a letter to the Combined Chiefs of Staff containing an explanation of the situation together with the memorandum, asking them

for a prompt reply. The Ambassador hoped to be able to get the reply soon, and I told him I thought he would.

He wanted to know whether our Government was ready to suggest to his Government that it could print its own designed mark currency. I told him that such was not necessarily the view of our Government; but was merely an expression of the possibility in the memorandum and that it would have to be cleared through other departments and doubtless with the British before it could be regarded as an official specific proposal. He seemed interested in the possibility of printing their own currency but he clearly was disappointed and skeptical as to the reasoning contained in the memorandum.

H. D. WHITE.

11. LETTER FROM H. MORGENTHAU, JR., SECRETARY OF THE TREASURY  
TO THE SECRETARY OF STATE

MARCH 22, 1944.

The Honorable the SECRETARY OF STATE.

MY DEAR MR. SECRETARY: I am enclosing herewith, for your information, a copy of a letter with attachments that I have sent to Admiral Leahy. The letter to Admiral Leahy deals with the question raised by Ambassador Harriman in his cable to you of February 15, 1944, in which it was stated that the Russians desire that duplicate plates for the production of A. M. Mark Currency be made available to them.

Owing to the difficulties that will arise in respect to the production of A. M. Mark Currency in the event that duplicate plates are made available to the Russians, I have asked Admiral Leahy to place this matter before the Combined Chiefs of Staff for their consideration.

Very truly yours,

/s/ H. MORGENTHAU, JR.,  
Secretary of the Treasury.

12. MEMORANDUM FOR THE FILES REGARDING A. M. MARK CURRENCY  
AND PLATES FOR THE U. S. S. R. SIGNED BY W. H. TAYLOR AND L. C.  
AARONS

APRIL 13, 1944.

Memorandum for the files.

A. M. MARK CURRENCY AND PLATES FOR THE U. S. S. R.

1. At a meeting of the American side of the C. C. A. C. Committee in Mr. McCloy's office on April 12, General Hilldring brought up the question of the Secretary's letter to Admiral Leahy of March 22, 1944, concerning the possibility of making plates available to the Russians. Admiral Leahy had turned the letter over to the C. C. S., which in turn had turned it over to C. C. A. C., which in turn had received London's views on the matter and had had the letter studied by officers within C. A. D. The General stated that the issue was one, however, that was almost "too hot" for the C. C. S. and only after five re-drafts had a proposed reply been accepted for review by the C. C. A. C. If the C. C. A. C. approved this reply, it would then go to the C. C. S., which in turn would send it forward to Admiral Leahy for his signature. The proposed reply contains two basic thoughts:

a. The question of the availability and nonavailability of plates for the Russians was not one that should be settled on military grounds.

b. It suggested that if by May 1 there was enough A. M. mark currency printed, we might then cease production of further mark currency and, at that time, turn over the plates to the Russians.

The General stated that the decision on this matter seemed to him to be entirely a political one, but that whatever decision was taken must be made in such a way as not to affect our military relations with the U. S. S. R.

At this point, Mr. Dunn said that he acknowledged the political implications of the case, but thought that the matter was one that would have to be decided also on its technical grounds. Mr. Aarons and Mr. Taylor stated that the technical aspects of the problem had been set forth clearly in the Secretary's letter to Admiral Leahy of March 22, 1944, and that it was because of these technical aspects that the Secretary was asking for a judgment that would take into consideration any military or political factors that might be involved.

2. Mr. Dunn stated that he had just received a cable from Harriman in Moscow. At our request, Mr. Dunn said that he would make a paraphrase of the cable available to the Treasury. Mr. Harriman stated in his cable that he had recently conferred with the Russian Foreign Office and had been informed that the Russian Government was not prepared to accept as valid the arguments advanced by Secretary Morgenthau and Mr. White in their conversations with the Soviet Ambassador in Washington concerning the difficulties of making the plates available to the Russians. The Russians had expressed their opinion to Harriman that they could not accept the explanation of a private printing company interfering with the program under consideration. The Russians asked that they be told whether the plates would or would not be made available to them. In the event the plates were not made available, they were prepared to proceed with the printing of their own variety of mark currency.

3. General Hilldring and Mr. Dunn both expressed the hope that a means would be found whereby the currency that was used in Germany by the American, British and Russian Armies would be identical. Mr. Dunn said that it would have a very nice effect upon the German people if we all used the same type of currency. The General's argument was placed purely upon military terms, as evidence of cooperation between the three nations.

General Hilldring invited comment as to what was the true reason for the Russian insistence on this matter. Mr. Taylor stated that, in his opinion, the original Russian request was purely for the purposes of assuring themselves that they would have an adequate supply of notes. He added that the Russians, at the present time, probably have further reasons for their insistence. In view of our expressed reluctance, the Russians probably feel that it is essential to establish their rights to the plates in order to clarify the future civil affairs arrangements between the three powers involved. It is not unlikely, Mr. Taylor pointed out, that if we fail to furnish the plates the Russians will embark upon a currency of their own. They may also establish a rate of exchange of their own and also establish monetary and financial programs of their own. In such event, the likelihood of developing a uniform and coordinated Allied pattern of action towards Germany would be jeopardized to that extent.

W. H. TAYLOR.  
L. C. AARONS.

13. MEMORANDUM FROM SECRETARY MORGANTHAU TO THE SOVIET AMBASSADOR, ENTITLED "MEMORANDUM TO THE AMBASSADOR FROM SECRETARY MORGANTHAU"

APRIL 14, 1944.

Memorandum to the Ambassador From Secretary Morgenthau.

There will be shipped from Washington on Tuesday, April 18, glass negatives and positives of all plates used for printing M-marks. The designs are in negative and positive form since it is not known which is preferred by the Soviet Government. Twenty-three glass plates are necessary to make a complete set for the 8 denominations; therefore, there are 46 plates in the shipment. There will also be included specimens of the inks with the formula for each color and a specimen of the paper with the technical specifications. A memorandum discussing the numbering technique will accompany the shipment.

In order that the mark currency proposed to be printed by the Soviet Government be indistinguishable from that being printed by the United States "deep-etched offset" plates will have to be used. Any other process of plate making will result in notes that appear different in color from those that are being printed here.

If the Soviet Government is unable to make deep-etched offset plates and it desires that the plates be made in the United States it will be necessary to furnish the U. S. Treasury with the diameter and length of the plate cylinders of the presses proposed to be used by the Soviet Government. It will also be necessary to furnish information on the type and design of press to be used by the Soviet Government and whether or not it is a multicolor press. If it is a multicolor press the number of colors in the press should be specified.

At the end of each 100,000 impressions the deep etched plates now being used in the United States for printing M mark currency are discarded and replaced by new plates. It will be noted, therefore, that a considerable number of plates are necessary in producing substantial quantities of M marks. It would probably require at least 3 weeks for the United States to make the first complete set of plates for all denominations of the mark currency. The rate of output of duplicate plates is uncertain as it is dependent upon a supply of highly skilled labor.

Unless the type face used for numbering the notes is the same in Russia as is used in the United States, the notes will appear to be dissimilar. The present numbering machines used by the United States were made specially and there are none available that could be loaned to the Soviet Government. The manufacture of additional numbering machines to match those now being used in the United States would require possibly 3 months. However, a slight dissimilarity in type face used for numbering the notes does not seem to be of decisive importance, in the opinion of the U. S. Treasury.

The U. S. Treasury is desirous to cooperate with the Soviet Government in this matter in every possible way.

## 14. MEMORANDUM AND ENCLOSURE FROM C. T. CROWE, UNITED KINGDOM TREASURY DELEGATION, TO MR. W. H. TAYLOR, U. S. TREASURY

## UNITED KINGDOM TREASURY DELEGATION

Memorandum.

*April 15, 1944.*

From: C. T. Crowe.

To: Mr. W. H. Taylor,  
U. S. Treasury.

In enclose a paraphrase of the telegram on mark plates that I mentioned to you on the telephone.

C. T. CROWE.

## PARAPHRASE OF TELEGRAPH FROM LONDON

We are advised that technical reasons make it most improbable that an identical note can be produced in different places. The attendant dangers of a forgery and of lack of confidence in the combined issue seem to us to be serious.

We fully realise, however, how desirable it is politically to avoid two entirely different issues and therefore to comply with Russia's present request which seems to indicate a welcome readiness to cooperate.

Provided U. S. Authorities are satisfied with SCAEF's requirements will not be jeopardized we therefore agree that Russians should be given the plates.

APRIL 15TH, 1944.

## 15. RECEIPT AND ATTACHMENT DATED APRIL 21, 1944, SIGNED BY TEGUIN ON BEHALF OF THE U. S. S. R. FOR PLATES AND MATERIALS TURNED OVER TO THE RUSSIAN EMBASSY

APRIL 21, 1944.

Received from the Director of the Bureau of Engraving and Printing five boxes containing material and supplies listed in the accompanying attachments.

TEGUIN.

Negatives, positives, inks, etc., for German marks delivered by director, in War Dept. car to Russian Embassy.

H. J. H.

APRIL 15, 1944.

1. One blueprint of drawings A-1489, A-1490, and A-1501.
2. Two copies of specifications for paper.
3. Two copies of specifications for currency—marks.
4. Formulas for each of the inks (including formulation procedure).
5. Proofs of the numbering blocks.
6. Pint samples of each ink.
7. Samples of each component of each ink, including oils.
8. Specimen of paper showing watermark.
9. Spectrophotometric curves of the colors of the inks.
10. Tint blocks of all colors.
11. List of positive and negative plate numbers.
12. Forty-six plates (twenty-three each positive and negative).

APRIL 15, 1944.

**Ink Formulations for 4-Color Face Design Used for Printing Invasion Currency—Germany****G-831-O Green (First color down) :****Base:**

Ramapo Green GP-501-D.....	40%
#1 Regular Lithographic Varnish.....	60%
	100%

**Ink:**

Ramapo Green Base GP-501-D.....	66.5%
Heavy Body Laketime.....	33.5%
	100.0%

**B-745-O Blue (Second color down) :****Base:**

Monastral Blue BT-108-D.....	35%
#1 Regular Lithographic Varnish.....	50%
#5 Regular Lithographic Varnish.....	15%
	100%

**Ink:**

Monastral Blue Base BT-108-D.....	33.5%
Heavy Body Laketime.....	66.5%
	100.0%

**(Special Black) BK-32-O (Third color down—Border) :**

Carbon Black.....	24.7%
Aluminum Stearate.....	.7%
#1 Regular Varnish.....	22.7%
#5 Pale Litho Varnish.....	25.3%
Alkali Blue Toner, Green Tone.....	17.1%
Cobalt Drier 5½%.....	1.5%
Ox Drier.....	1.1%
#8 Pale Lithographic Varnish.....	3.9%
	100.0%

**M-694-O Maroon (Fourth color down—Overprint) :**

Rose Toner Dry Color.....	40.0%
#0 Pale Lithographic Varnish.....	5.0%
#5 Pale Lithographic Varnish.....	45.0%
Hi-Gloss Varnish.....	10.0%
	100.0%

**Bases:**

Rhodamine Toner Dry Color.....	50.0%
#1 Pale Lithographic Varnish.....	40.0%
#5 Pale Lithographic Varnish.....	10.0%
	100.0%

**Ink:**

Rose Toner Base.....	24.2%
Rhodamine Toner Base.....	30.2%
Heavy Body Laketime.....	43.0%
Hard Drying Varnish.....	1.4%
Hi-Gloss Varnish.....	1.4%
	100.0%

**B-746-O Blue (Fourth color down—Overprint) :**

Victoria Blue Toner Dry Color BT-181-D.....	50%
#1 Regular Lithographic Varnish.....	50%
	100%

**B-746-O Blue (Fourth color down—Overprint)—Continued****Bases:**

(Millorl Blue)-----	54%
#1 Pale Lithographic Varnish-----	50%

100%

**Ink:**

Millorl Blue Base-----	43.0%
Victoria Blue Base-----	50.5%
Aluminum Hydrate Base-----	6.5%

100.0%

**R-696-O Red (Fourth color down—Overprint) :****Ink:**

Watchung Red Toner RT-455-D-----	40%
#1 Pale Lithographic Varnish-----	40%
#5 Pale Lithographic Varnish-----	20%

100%

**G-832-O Green (Fourth color down—Overprint) :**

Brilliant Green Toner Dry Color-----	50%
#0 Pale Lithographic Varnish-----	50%

100%

**Bases:**

Chrome Yellow Light Dry Color-----	75%
#2 Pale Lithographic Varnish-----	25%

100%

**Ink:**

Brilliant Green Toner Base-----	32.0%
Chrome Yellow Light Base-----	48.5%
Heavy Body Laketone-----	19.5%

100.0%

*Numbering inks—face—large, intermediate, small notes***BK-613-T Black:**

Carbon Black-----	22.8%
Iron Blue, Green Tone-----	5.2%
Long Varnish-----	14.6%
Hard Drying Varnish-----	27.1%
#1 Regular Varnish-----	20.8%
#3 Pale Varnish-----	5.2%
Cobalt Drier 5½-----	1.1%
Embossing Varnish-----	3.1%

100.0%

*Ink formulations for 2-color back design***P-748-O Purple (First Color Down) :**

Rose Toner Dry Color-----	50.0%
#0 Pale Lithographic Varnish-----	50.0%

100.0%

**Bases:**

Methyl Violet Toner Dry Color-----	40.0%
#1 Regular Varnish-----	60.0%

100.0%

## P-748-O Purple (First color down)—Continued

## Ink:

Rose Toner Base.....	5.0%
Methyl Violet Toner Base.....	3.0%
Lakeline Heavy Body.....	90.3%
Cobalt Drier 5½.....	.8%
	<hr/> 100.0%

## BN-875-0 Brown (Second Color Down):

Chrome Yellow Medium Dry Color.....	75.0%
#2 Pale Lithographic Varnish.....	25.0%

100.0%

## Bases:

Medium Lithol Red Dry Color.....	40.0%
#1 Pale Lithographic Varnish.....	60.0%

100.0%

## Ink:

Chrome Yellow Medium Base.....	62.7%
Medium Lithol Red Base.....	30.0%
Natural Black Base.....	7.3%

100.0%

## SPECIAL BASES REQUIRED

*Neutral Black Base*

Neutral Black Base is made by mixing equal parts of the Aluminum Hydrate Base described above with a Black Base formulated as follows:

## #294 Black

Peerless Carbon Black.....	37.5%
#0 Regular Lithographic Varnish.....	37.5%
#2 Pale Lithographic Varnish.....	25.0%

100.0%

*Aluminum Hydrate Base*

This base is made by grinding high-grade Aluminum Hydrate 1:1 ratio with #00 Pale Lithographic Varnish.

In each of the inks designated the base shall be ground in the designated vehicle to match in fineness and strength the sample which will be supplied by this laboratory. Three to eight grinds may be required for these colors depending upon the mill setting, temperature of the mill, or physical characteristics of the materials used. After the base has been prepared the final ink shall be made by mixing the various constituents in the proper amounts as indicated in each formulation and then passed through a three-roller mill.

Draw-downs of the base and the final ink shall be examined visually for undertone and strength without regard for masstone and shall match in all respects the sample of the base and ink submitted as standard.

Depending upon the actual printing process and climatic conditions, these inks may require adjustments for drying qualities. Lead-manganese, paste drier 111A, and cobalt drier have been included for this purpose. The tack of these inks may have to be adjusted to conform with printing sequence.

*Positive plate numbers and ink designations for invasion currency—Germany—  
Series 1944*

	Color	Ink designations
<b>Face of the small size notes:</b>		
S-10151-P Tint	Green	G-831-O
S-10152-P Tint (Flower)	Blue	B-745-O
S-10150-P Border & Tint	Black	BK-32-O
S-10185-P Denominational Overprint, ½ Mark (50 Pfennig)	Green	G-832-O
S-10186-P Denominational Overprint, 1 Mark	Blue	B-746-O
S-10187-P Denominational Overprint, 5 Mark	Maroon	M-694-O
<b>Face of the intermediate size note:</b>		
S-10171-P Tint (Peacock)	Green	G-831-O
S-10173-P Tint (Flower)	Blue	B-745-O
S-10172-P Border & Tint	Black	BK-32-O
S-10188-P Denominational Overprint, 10 Mark	Blue	B-746-O
<b>Face of the large size notes:</b>		
S-10178-P Tint	Green	G-831-O
S-10180-P Tint (Flower)	Blue	B-745-O
S-10179-P Border & Tint	Black	BK-32-O
S-10181-P Denominational Overprint, 20 Mark	Red	R-696-O
S-10182-P Denominational Overprint, 50 Mark	Blue	B-746-O
S-10183-P Denominational Overprint, 100 Mark	Maroon	M-694-O
S-10184-P Denominational Overprint, 1000 Mark	Green	G-832-O
<b>Back of the small-size notes:</b>		
S-10104-N Tint	Purple	P-748-O
S-10103-N Border & Tint	Brown	BN-875-O
<b>Back of the intermediate-size note:</b>		
S-10111-N Tint	Purple	P-748-O
S-10110-N Border & Tint	Brown	BN-875-O
<b>Back of the large-size notes:</b>		
S-10131-N Tint	Purple	P-748-O
S-10130-N Border & Tint	Brown	BN-875-O

The black ink to be used for numbering the notes is BK-613-2.

In general, inks are listed above in the order in which they will be printed.

APRIL 15, 1944.

*Negative plate numbers and ink designations for invasion currency—Germany—  
Series 1944*

	Color	Ink designations
<b>Face of the small size notes:</b>		
S-10151-N Tint	Green	G-831-O
S-10152-N Tint (Flower)	Blue	B-745-O
S-10150-N Border & Tint	Black	BK-32-O
S-10185-N Denominational Overprint ½ Mark (50 Pfennig)	Green	G-832-O
S-10186-N Denominational Overprint 1 Mark	Blue	B-746-O
S-10187-N Denominational Overprint, 5 Mark	Maroon	M-694-O
<b>Face of the intermediate size note:</b>		
S-10171-N Tint (Peacock)	Green	G-831-O
S-10173-N Tint (Flower)	Blue	B-745-O
S-10172-N Border & Tint	Black	BK-32-O
S-10188-N Denominational Overprint, 10 Mark	Blue	B-746-O
<b>Face of the large size notes:</b>		
S-10178-N Tint	Green	G-831-O
S-10180-N Tint (Flower)	Blue	B-745-O
S-10179-N Border & Tint	Black	BK-32-O
S-10181-N Denominational Overprint, 20 Mark	Red	R-696-O
S-10182-N Denominational Overprint, 50 Mark	Blue	B-746-O
S-10183-N Denominational Overprint, 100 Mark	Maroon	M-694-O
S-10184-N Denominational Overprint, 1000 Mark	Green	G-832-O
<b>Back of the small-size notes:</b>		
S-10104-P Tint	Purple	P-748-O
S-10103-P Border & Tint	Brown	BN-875-O
<b>Back of the intermediate-size note:</b>		
S-10111-P Tint	Purple	P-748-O
S-10110-P Border & Tint	Brown	BN-875-O
<b>Back of the large-size notes:</b>		
S-10131-P Tint	Purple	P-748-O
S-10130-P Border & Tint	Brown	BN-875-O

The black ink to be used for numbering the notes is BK-613-T.

In general, inks are listed above in the order in which they will be printed.

APRIL 15, 1944.

*Tint block specimens, invasion currency—Germany—Series 1944*

Use	Color	Ink	Specimen
Back of all denominations.....	Purple.....	P-748-O	
Back of all denominations.....	Brown.....	BN-875-O	
Face of all denominations.....	Green.....	G-831-O	
	Blue.....	B-745-O	
	Black.....	BK-32-O	
Denominational overprint 1/4 Mark.....	Green.....	G-832-O	
Denominational overprint 1 Mark.....	Blue.....	B-746-O	
Denominational overprint 5 Marks.....	Maroon.....	M-694-O	
Denominational overprint 10 Marks.....	Blue.....	B-746-O	
Denominational overprint 20 Marks.....	Red.....	R-696-O	
Denominational overprint 50 Marks.....	Blue.....	B-746-O	
Denominational overprint 100 Marks.....	Maroon.....	M-694-O	
Denominational overprint 1,000 Marks.....	Green.....	G-832-O	

16. MEMORANDUM FROM MR. WHITE TO MR. D. W. BELL

APRIL 22, 1944.

Memorandum

To: Mr. D. W. Bell.

From: Mr. White.

The Russian Ambassador called me last night to say that he was sending the appended statement over this morning. He said that his secretary had been in touch with Mr. Hall and that Mr. Hall had stated it would probably take a month to get the answers and materials requested in this memorandum.

The Ambassador expressed the hope that it would not take so long and stressed the need for as quick action as possible in getting the answers and the materials requested.

H. D. W.

17. TREASURY DEPARTMENT INTER-OFFICE COMMUNICATION FROM MR. D. W. BELL TO MR. HALL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

APRIL 27, 1944.

To: Mr. Hall.

From: Mr. D. W. Bell.

1. In accordance with the decision taken by the Secretary at a meeting in his office on April 14, 1944, attended by yourself, Mr. White, Mr. Luxford, and Mr. Taylor, you are hereby requested and authorized to make available to the Russians negatives and positives of all plates used for the printing of A. M. mark currency as well as specimens of the inks and paper.

2. The decision to make these materials available to the Soviet Government was taken only after careful deliberation within the Treasury Department and after an exchange of letters between the Secretary of the Treasury and the Combined Chiefs of Staff. In a letter of April 13, 1944, to the Secretary, General Marshall, on behalf of the Combined Chiefs of Staff, suggested that the materials requested by the Soviet Government be made available to it providing this did not interfere with General Eisenhower's requirements for Allied Mark currency. Since the initial order of 10 billion marks will be completed on May 2 the request of the Soviet Government can be met without interference to General Eisenhower's requirements.

3. Upon receipt of the letter from General Marshall the Secretary on April 14 conversed with Mr. Dunn of the State Department about this matter. Mr. Dunn asserted that the State Department was desirous of making the materials available to the Soviet Government if at all possible. Mr. Dunn said that it was quite evident that the Russians would continue to insist that the materials be made available to them and would not be satisfied with assurances that the currency itself could and would be shipped in adequate amounts. This attitude was evidenced in a cable from Ambassador Harriman, dispatched from Moscow on April 8.

4. Under date of April 15, 1944, the British Foreign Office informed its Washington representatives that for political reasons the Russians should be given plates provided that General Eisenhower's requirements for A. M. currency would not thereby be jeopardized.

D. W. B.

18. LETTER FROM HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY, TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

His Excellency, the AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,

*Washington, D. C.*

MY DEAR MR. AMBASSADOR: In your informal memorandum forwarded to this department request was made for dry pigments of all colors to be used for the printing of German marks and, although no mention was made of the requirement for other components necessary to make the completed ink, we naturally assume that these components are required. Accordingly, steps have been taken to procure all of the essential materials necessary for the manufacture of the completed ink.

In the meantime, in order to insure the expeditious printing of the work in the proper color, we have prepared 100 pounds of ink in each of the colors required with the exception of the red which is used for the overprinting of the 20-mark note. These inks will be packed for overseas shipment and forwarded upon advice from you.

Orders have been placed for all necessary raw materials for the manufacture of the ink including dry colors, vehicles, and extenders which will be ready for shipment within ten days. Prompt shipment of the completed inks and the raw materials will mean that they should reach their destination by the time printing plates and paper are available. Should you so desire we shall be glad to supply com-

pleted inks in whatever quantities you may require in order to comply with your printing schedule or, if you would prefer otherwise, the raw materials will be furnished as requested. The completed ink now on hand and ready for shipment will enable you to print approximately 200,000 sheets, or 10,000,000 large-size notes, or 20,000,000 small-size notes.

I should appreciate it if you would communicate to me your desire in this matter at your earliest convenience.

Very truly yours,

H. MORGENTHAU, Jr.,  
*Secretary of the Treasury.*

19. INFORMAL MEMORANDUM SUBMITTED TO THE TREASURY DEPARTMENT BY ANDRI A. GROMYKO, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

ANDREI A. GROMYKO

AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS

Washington

1. Inks in the form of dry pigments of all colors to be used in accordance with the prescribed formula, in the quantity not less than 100 kilograms of each color.

2. The detailed recipe of formula of inks as well as the samples of ready-made inks, five kilograms of each shade-color.

3. The recipe for fibrous and glew materials. If paper has watermark, it is necessary to send stamps for the pressing of a net.

4. For the prevention of the issuing of banknote marks with duplicate numbers, there should be indicated the principle of the numeration as well as the used numbers on the banknotes printed in the United States.

5. In order to obtain the maximum identity of banknote marks, it is necessary to get the printed samples, five copies of each denomination printed in production conditions.

6. The detailed description of all elements which are used on banknotes for protection against any forgery of color, paper, and printing.

20. LETTER AND ENCLOSURE DATED APRIL 29, 1944, FROM D. W. BELL, ACTING SECRETARY OF THE TREASURY, TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

MAY 2, 1944.

His Excellency the AMBASSADOR EXTRAORDINARY AND PLENITENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: This is in further reference to your informal memorandum concerning information covering six items for

the printing of German marks. The data have now been prepared and are being forwarded herewith with the hope that they will be of assistance to you. Should additional information be required, please do not hesitate to advise me accordingly.

Very truly yours,

D. W. BELL,  
*Acting Secretary of the Treasury.*

Enclosure.

1. Inks in the form of dry pigments of all colors to be used in accordance with the prescribed formula, in the quantity not less than 100 kilograms of each color.

Approximately one hundred pounds of ink of each color used in the printing of German marks have been prepared for shipment. Dry colors, vehicles, and extenders are in the process of preparation for shipment and will be ready within a period of about ten days. Although vehicles and extenders were not requested they are being forwarded in order that all of the materials necessary for the manufacture of the completed ink will be available.

2. The detailed recipe of formula of inks as well as the samples of ready-made inks, five kilograms of each shade-color.

Formulas for all inks and both samples of completed inks and all of the components necessary for the preparation of the inks were available for delivery on April 17 and at the request of the Soviet Embassy were delivered on April 21, 1944.

3. The recipe for fibrous and glue materials. If paper has watermark, it is necessary to send stamps for the pressing of a net.

Specifications for the manufacture of the paper were included with the samples of inks and dry colors delivered to the Soviet Embassy on April 21. In addition, there is being prepared for shipment a specimen of beaten fibers taken from the "Jordan" machine which specimen is representative of the fiber composition from which Allied Military Authority paper is made. A specimen of the glue and a section of the dandy roll showing the watermark used in the manufacture of Allied Military Authority paper is included.

4. For the prevention of the issuing of bank-note marks with duplicate numbers, there should be indicated the principle of the numeration as well as the used numbers on the bank notes printed in the United States.

The system of numbering currently in use in the manufacture of Allied Military Authority currency was described in detail in the specifications for the printing of Allied Military Authority currency which were included with the inks and dry colors delivered to the Soviet Embassy on April 21, 1944.

The following numbers have been used as of this date in the printing of Allied Military Authority currency:

*Allied Military Mark Currency*

*Last No. Printed April 28, 1944*

½ Mark	48,000,000
1 Mark	38,400,000
5 Marks	49,600,000
10 Marks	32,508,000
20 Marks	28,800,000
50 Marks	27,200,000
100 Marks	16,000,000
1,000 Marks	2,600,000

*Last No. Printed on <sup>1</sup> Hyphen Notes*

½ Mark	300,000
1	400,000
5 Marks	300,000
10 Marks	252,000
20 Marks	250,000
50 Marks	200,000
100 Marks	200,000
1,000 Marks	100,000

<sup>1</sup> Hyphen notes are notes with the serial number prefixed by a hyphen and are used to replace serially-numbered notes mutilated during processing.

Future printing of Allied Military Authority currency will continue the same pattern as described above.

5. In order to obtain the maximum identity of banknote marks, it is necessary to get the printed samples, five copies of each denomination printed in production conditions.

Specimens of all Allied Military Authority currency were delivered to the Soviet Embassy some time ago. These specimens are representative of the current production of Allied Military Authority currency. Should additional specimens be required they will be forwarded upon request.

6. The detailed description of all elements which are used on banknotes for protection against any forgery of color, paper, and printing.

The designs for the Allied Military Authority currency are comprised of geometric patterns with a nonsymmetrical arrangement thereby making it difficult to reproduce them without resorting to photographic means. Four separate designs appear on the face of all notes and two separate designs on the back of all notes, each design being printed in a different color. To reproduce successfully Allied Military Authority currency it would be necessary to photographically separate each color and make separate printing plates of each color. The inks comprising each color used in the printing of Allied Military Authority currency were selected because of their peculiar properties with respect to the use of filters which would be required for photographic separation. The colors are printed and maintained in strength and density by frequent checks on a recording spectro-photometer thereby presenting the maximum difficulty in the selection of filters for photographic separation. All inks comprising all colors used in the printing of Allied Military Authority currency were selected, in addition to other features, for their resistance to chemical reagents and sunlight.

The paper used for the printing of Allied Military Authority currency is of 100% cotton composition made from virgin cotton rag cuttings. The technique involved in its manufacture is such as to result in paper of high strength properties with a distinctive "feel" and "rattle." There is also impressed in the paper a watermark of the shade-craft type wherein the design is a result of a variation in the fiber concentration in localized areas.

21. LETTER FROM A. GROMYKO, EMBASSY OF THE U. S. S. R., WASHINGTON, D. C., TO THE HONORABLE DANIEL W. BELL, ACTING SECRETARY OF THE TREASURY

EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., May 2, 1944.*

The Honorable DANIEL W. BELL,  
*Acting Secretary of the Treasury,*  
*Washington, D. C.*

MY DEAR MR. SECRETARY: I am hereby acknowledging your letter of May 2nd with the enclosed memorandum of April 29th.

Unfortunately, the paragraphs 1 and 2 of the memorandum are not quite clear. We requested the pigments, in the quantity of 100 kilograms of each color, and also the ready-made inks, five kilograms of each shade—color. Whether there is any possibility to comply with our request for the required quantity of the above material is not mentioned at all in the memorandum.

I shall be very grateful if you will kindly favor me with an actual delivery date of the above materials in the requested quantity as well as other materials which are mentioned in the paragraph 3 of your memorandum as being now prepared. I would like to know the delivery date of these materials in order to make arrangements for their shipment to the U. S. S. R. by plane. Thank you very much for your informing me that the samples of marks previously sent are representative of the current production.

Very truly yours,

s/ A. GROMYKO.

22. LETTER FROM A. GROMYKO, EMBASSY OF THE U. S. S. R., WASHINGTON, D. C., TO THE HONORABLE HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., May 2, 1944.*

The Honorable HENRY MORGENTHAU, Jr.,  
*Secretary of the Treasury,*  
*Department of the Treasury, Washington, D. C.*

MY DEAR MR. SECRETARY: This is to acknowledge the receipt of your letter of April 29, 1944.

I wish to thank you for the information about the steps you have taken to insure the shipment of materials requested by us.

I shall find out the question concerning your offer in regard to the shipment of full quantities of completed inks to us, and I hope to inform you about it at the earliest possible time.

Sincerely yours,

s/ A. Gromyko.  
A. GROMYKO.

23. LETTER FROM A. GROMYKO, EMBASSY OF THE U. S. S. R., WASHINGTON, TO THE HONORABLE HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
Washington, D. C., May 8, 1944.

The Honorable HENRY MORGENTHAU, JR.,  
*Secretary of the Treasury.*

MY DEAR MR. SECRETARY: Hereby I confirm our request which I already submitted to you orally on May 6, 1944 in regard to supplying us by the Treasury, besides the prepared 100 lbs. of dry inks and pigments of all colors, additional 100 kilograms of dry inks, pigments and solvents and all necessary components and materials in accordance with the formula.

At the same time I would appreciate to receive information from the Treasury when and where we may get the already prepared, in the amount of 100 lbs. each, dry inks and pigments of all colors. That they are already prepared the Embassy has been informed several times. However, the Embassy has not yet received a reply as to how it may receive the aforementioned materials. I would be grateful for the earliest possible fulfillment of the above request.

Besides, I would appreciate it if you send me samples of banknote marks in 5 copies, from your current production. Samples, that have been delivered to the Embassy some time ago, were forwarded to Moscow by Diplomatic pouch. To our regret, however, in view of the transportation difficulties the pouch will be delivered with great delay. The additional samples I should like to forward by plane as they are needed by the People's Commissariat of Finance in the nearest future.

Sincerely yours,

s/ A. GROMYKO,  
*Ambassador.*

24. LETTER ON OR ABOUT MAY 9, 1944, NOT IN FINAL FORM, FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR OF THE U. S. S. R., WASHINGTON, D. C.

HIS EXCELLENCY, THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
Washington, D. C.

MY DEAR MR. AMBASSADOR: Responding to your letter of May 8, 1944, five shipping cases containing one hundred pounds of ink in each of the nine colors necessary to print invasion currency for Germany were prepared and ready for shipment on April 29, 1944. We are now in the process of preparing one hundred kilograms of dry colors and all necessary components for the manufacture of completed ink. Thirty-three shipping cases and drums are required for these materials, nineteen of which are now ready.

Late yesterday, at our request, Mr. Smirnov from the Embassy visited the bureau and inspected the shipping cases, at which time he requested that shipment be deferred pending further notice from you. We are ready to deliver the materials at any time or place which you may indicate.

Mr. Bell today forwarded to the Embassy five booklets, each containing a complete set of notes which are representative of current production.

Very truly yours,

*Secretary of the Treasury.*

AWHall:ep

5/9/44

25. MEMORANDUM AND ATTACHMENT FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDER SECRETARY OF THE TREASURY

MAY 11, 1944.

To: D. W. Bell, Under Secretary of the Treasury.

From: A. W. Hall, Director.

In complying with the request of the Russian Embassy for inks, dry colors, vehicles, and extenders, twenty-seven shipping cases and seven 50-gallon drums have been prepared for shipment. The materials represent a cost of approximately \$7,800.00 and the labor and material involved in the preparation of the materials for shipment is approximately \$1,890.00.

During your conference with the Ambassador of the Russian Embassy yesterday he indicated that an additional supply of 100 pounds of dry colors with the proper proportion of vehicles and extenders were required to be prepared for shipment at the earliest possible date.

The materials already prepared for shipment will, when made into printing ink, permit the printing of about 700,000 sheets, or 70,000,000 small-size, or 35,000,000 large-size German marks.

The first order received by this bureau from the War Department for German marks was for 350,000,000 notes. This required the printing of 5,034,000 sheets. If the Russian Government were to print an amount equal to our first order from the War Department, approximately seven times the material already prepared for shipment would be required and, on this basis, more than \$65,000.00 will be involved in the transaction.

As discussed with the Ambassador yesterday the quantities ordered by the Embassy as interpreted by us are completely out of balance. In other words, owing to the variations in the dry color content of the different inks, excessive quantities of certain items will result by complying strictly with the orders placed by the Embassy. To illustrate, if only 1,000 pounds of material were to be supplied in addition to the material ready for shipment, the number of sheets which could be printed would be tripled.

As agreed yesterday, we will prepare for submission to the Ambassador information which will serve as a basis for a cablegram designed to clarify the situation. In the meantime we will proceed with the preparation of the materials to fill the second order in accordance with the same procedure followed on the first.

In view of the cost involved in furnishing the materials to the Russian Government, what consideration shall be given the matter of reimbursement?

An itemized statement of all of the materials prepared for shipment is attached.

Attachment.

MAY 11, 1944.

Box No.	Dry color	Height (inches)	Width (inches)	Length (inches)	Volume (cu. ft.)	Net wt. (lb.)	Gross wt. (lb.)
1	Carbon Black.....	27	35 $\frac{1}{4}$	64 $\frac{1}{4}$	35.5	250	510
2	Chrome Yellow Light.....	16 $\frac{1}{4}$	27	52	13.2	250	374
3	Methyl Violet Toner.....	32	26 $\frac{1}{4}$	48 $\frac{1}{4}$	23.6	250	466
4	Watchung Red Toner.....	31 $\frac{1}{2}$	26 $\frac{1}{4}$	52 $\frac{1}{4}$	25.5	250	472
5	Flushed Alkali Blue Toner, Green Tone.....	25 $\frac{1}{4}$	25 $\frac{1}{4}$	29	10.9	250	405
6	Medium Lithol Red.....	26 $\frac{1}{4}$	32 $\frac{1}{4}$	73 $\frac{1}{4}$	36.0	250	550
7	Brilliant Green Toner.....	21 $\frac{1}{4}$	31 $\frac{1}{4}$	59 $\frac{1}{4}$	23.6	250	463
8	Chrome Yellow Medium.....	26	31 $\frac{1}{4}$	26	12.4	250	388
9	Milori Blue, Green Tone.....	27 $\frac{1}{4}$	32 $\frac{1}{4}$	39 $\frac{1}{4}$	20.3	250	442
10	Rose Toner.....	21 $\frac{1}{4}$	35 $\frac{1}{4}$	59 $\frac{1}{4}$	18.8	250	438
11	Rhodamine Toner.....	25 $\frac{1}{4}$	32 $\frac{1}{4}$	69 $\frac{1}{4}$	32.6	250	530
12	Ramapo Green.....	31 $\frac{1}{2}$	26 $\frac{1}{4}$	75 $\frac{1}{4}$	36.5	250	550
13	Monastral Blue.....	29 $\frac{1}{4}$	22 $\frac{1}{4}$	58 $\frac{1}{4}$	22.8	250	459
14	Victoria Blue Toner.....	28 $\frac{1}{4}$	21 $\frac{1}{2}$	63	22.1	250	515
15	Ink:						
	G-831-O.....					11	
	B-745-O.....					11	
	BK-32-O.....					11	
	M-694-O.....					11	
	B-746-O.....					11	
	R-606-O.....					11	
	G-832-O.....					11	
	BK-613-T.....					11	
	P-748-O.....					11	
	BN-875-O.....	29 $\frac{1}{4}$	27 $\frac{1}{4}$	19 $\frac{1}{4}$	9.2	11	210
	Vehicles and Extenders:						
16	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	510
17	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	580
18	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	580
19	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	580
20	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	580
21	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	575
22	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	515
23	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{2}$	13.1	400	565
24	#5 Reg. Litho. Varnish.....					160	
25	#5 Pale Litho. Varnish.....	18 $\frac{1}{4}$	22 $\frac{1}{4}$	42	10.0	160	415
26	#2 Pale Litho. Varnish.....					200	
	#00 Pale Litho. Varnish.....	18 $\frac{1}{4}$	22 $\frac{1}{4}$	42	10.0	120	415
	Box Containing Specimen Glue, Fibers, Dandy Roll Stamping, Aluminum Hydrate.....					15	
	Hard Drying Varnish.....					100	
	Long Varnish.....					120	
	#6 Pale Litho. Varnish.....					65	
	#0 Reg. Litho. Varnish.....	32 $\frac{1}{4}$	28	61	26.0	48	
27	Ox Drier.....					18	615
	III Gloss Varnish.....					25	
	Cobalt Drier.....					100	
	Aluminum Stearate.....					112	
	Embossing Varnish.....					25	
	#3 Pale Litho. Varnish.....	26 $\frac{1}{4}$	20	39 $\frac{1}{4}$	17.5	24	
						39	575
Drums		Diameter	Height				
28	#0 Pale Litho. Varnish.....	22 $\frac{1}{4}$	36		10.5	250	292
29	#1 Reg. Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	437	488
30	#1 Reg. Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	422	474
31	#1 Reg. Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	442	490
32	#5 Pale Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	438	488
33	#1 Pale Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	443	493
34	#1 Pale Litho. Varnish.....	22 $\frac{1}{4}$	35		10.3	357	413
	Total.....				584.6	10,930	19,496

26. MEMORANDUM FOR THE FILES CONCERNING A CONFERENCE HELD IN  
UNDER SECRETARY BELL'S OFFICE AT 4 P. M., MAY 10, 1944

Memorandum for the files:

MAY 11, 1944.

A conference was held in Under Secretary Bell's office at 4 p. m., May 10, with the following present:

Soviet Embassy:

The Ambassador

Mr. Smirnov

Mr. Kalistratov

Treasury Department:

Mr. D. W. Bell

Mr. White

Department of State:

Mr. Leo Pasvolsky

Bureau of Engraving and Printing:

Mr. Holtzelaw

Mr. Hall

This conference was called for the purpose of explaining to the Russian Ambassador that the orders received for dry colors, etc. were out of balance—that is, in compounding the formulas there were more pigments than needed for certain of the colors. It was pointed out that if he would agree to a program which would include pigments in the proper ratio to the formulas, there would be a considerable saving in transportation. It was also suggested that the Bureau of Engraving and Printing mix the ink and ship it to Moscow ready for use. After a lengthy, detailed explanation, the Russian Ambassador curtly answered that they wanted exactly what was ordered. He made no attempt to analyze the proposition and was not willing to concede any change from the written order he received from Moscow. Mr. Pasvolsky of the Department of State expressed the opinion that the translation of the order was the cause of all the trouble.

It was announced to the Russian Ambassador that all of the materials for the first order had been crated and were ready for shipment. He asked that it be stored in the Bureau until planes were available for transportation. He indicated that it may be twelve days before a plane is available.

I may say that this was one of the most unsatisfactory conferences I ever attended. After the Ambassador and his representatives left the room, the others present remained and discussed the situation. Mr. White was anything but complimentary to the Russian delegation. Mr. Pasvolsky of the State Department said, "This is the most unrealistic thing I ever witnessed."

27. LETTER DATED ON OR ABOUT MAY 11, 1944, FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

His Excellency, .

The AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: I am pleased to announce that in accordance with your request 250 pounds of pigments, together with oils and extenders and other components necessary to make ink and 11 pounds of completed inks for the printing of the German mark, have been prepared for shipment and are ready for delivery to any place at any time that you may elect. Pursuant, however, to your oral instructions we will store the already crated materials as long as you wish, which you indicate may be twelve days pending final arrangements by you for the shipment of the materials.

For your information, twenty-seven shipping cases and seven 50-gallon drums are involved with a total weight of 16,500 pounds representing a volume of 585 cubic feet. There are also included in one of the shipping cases specimens of the glue, rag cuttings, fiber composition and a section of the dandy roll covering all of which you requested in connection with the manufacture of Allied Military currency paper.

Attached will be found an itemized statement showing pertinent information in connection with the above-mentioned materials. It is sincerely hoped that the materials prepared for shipment will meet your every requirement.

The additional 100 pounds of dry colors which you have requested, as well as oils and extenders and other components, will be purchased and prepared for shipment at the earliest possible date. As considerable time is necessary to purchase, receive, and prepare for shipment components for the inks, it would be appreciated if you could anticipate at an early date the need for additional supplies.

You may be assured that we are prepared to cooperate with you to the utmost.

Very truly yours,

*Secretary of the Treasury.*

Attachment

AWHall: bpb

5/11/44

MAY 11, 1944.

*Materials Required for the Manufacture of Ink For Invasion  
Currency—Germany*

To print approximately 3,000,000 sheets of currency, it is estimated that the following amounts of each ink will be required:

**Materials Required for the Manufacture of—**

1000 lb. of G-831-O
1000 lb. of B-745-O
1000 lb. of BK-32-O
3000 lb. of BN-875-O
1000 lb. of P-748-O
500 lb. of BK-613-T
500 lb. of M-694-O
500 lb. of B-746-O
500 lb. of R-636-O
500 lb. of G-832-O

Following is a list of the raw materials needed to manufacture the above inks in the designated amounts.

Chrome Yellow—Medium.....	1411 lb.
Carbon Black.....	404
Ramapo Green.....	266
Medium Lithol Red.....	390
Wachung Red.....	200
Chrome Yellow—Light.....	182
Alkali Blue Toner, Green Tone.....	171
Milori Blue, Green Tone.....	134
Victoria Blue Toner.....	127
Monstral Blue.....	117
Brilliant Green Toner.....	80
Rhodamine Toner.....	76
Rose Toner.....	74
Methyl Violet Toner.....	16
Laketine.....	2216
#0 Pale Litho Varnish.....	111
#0 Regular Litho Varnish.....	42
#1 Pale Litho Varnish.....	909
#1 Regular Litho Varnish.....	1010
#2 Pale Litho Varnish.....	561
#5 Regular Litho Varnish.....	50
#6 Pale Litho Varnish.....	39
#5 Pale Litho Varnish.....	423
#3 Pale Litho Varnish.....	26
Hard Drying Varnish.....	143
Long Varnish.....	73
Embossing Varnish.....	16
Cobalt Drier.....	50
Aluminum Stearate.....	7
Ox Drier.....	11
Hi-Gloss Varnish.....	19
Aluminum Hydrate.....	72
#00 Pale Litho Varnish.....	72
Total.....	9516 lb.

28. LETTER ON OR ABOUT MAY 11, 1944 FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

MY DEAR MR. AMBASSADOR: During a discussion with you yesterday it was pointed out that the literal interpretation placed on your request for dry colors for the printing of German marks resulted in furnishing many materials in quantities far in excess of your indicated requirements, this by reason of the fact that the formulas for the inks require dry colors in varying proportions. Some of the formulas require as little as four per cent dry color and others as high as sixty percent. When it is realized that other components for the inks which are being supplied you are likewise thrown out of proportion to the same extent as the dry colors it may be seen that valuable time and cargo space are being utilized to furnish you, as a result of a mutual misunderstanding, materials which you do not need.

On April 21, 1944, there was transmitted to you to be forwarded to your Government, among other things, formulas for all of the inks required. Two copies of the formulas recently delivered to you are being forwarded herewith. On these copies the dry colors have been underscored with red ink; those items not underscored represent vehicles and extenders. By reference to the formulas you will see the extent to which the materials are being furnished to you out of balance.

May I suggest that you communicate by cablegram with your Government and request that future orders for materials for the printing of the German mark be made on the basis of the quantities of materials specified in the formulas? My only purpose in suggesting a clarification of your requirements is to assist you in obtaining the materials needed in the most expeditious manner. In the meantime, as stated in my recent letter to you, the first order for materials is completed and awaiting your further instructions for shipment. The second order is in the process of being prepared. Therefore, no delay will result from your request for clarification.

HIS EXCELLENCY, THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

If your Government were to desire us to do so, they need only tell us how much ink of each type they would like to make and we would be glad to supply you with the raw materials in the correct amounts to make the completed inks.

Very truly yours,

*Secretary of the Treasury.*

AWHall:lhg  
5/11/44

29. LETTER DATED MAY 13, 1944, FROM A. H. CARTER, MAJOR GENERAL-GSC, FISCAL DIRECTOR, TO HONORABLE D. W. BELL, UNDER SECRETARY OF THE TREASURY

SPFDF

Honorable D. W. BELL,

*Under Secretary of the Treasury,*

*Treasury Department, Washington 25, D. C.*

DEAR MR. BELL: Reference is made to arrangements, with which it is understood you are familiar, to produce an additional supply of Allied Military Mark currency to supplement the order set forth in my letter of February 17.

It is requested that the Treasury Department now arrange to produce the second order according to the design already agreed upon and in the denominations indicated below:

Order	Denomination (Marks)	Number of Notes (in millions)	Sheets	Value of Notes (Millions of Marks)
8046	1/2 m. pfg. ....	25.00	250,000	12.5
8047	1 m. ....	37.50	375,000	37.5
8048	5 m. ....	25.00	250,000	125.0
8049-25049N (70-subj.)	10m. intermediate size, 63 subj. ....	25.00	16,000	250.0
8050	20 m. ....	25.00	500,000	500.0
8051	50 m. ....	20.00	400,000	1,000.0
8052	100 m. ....	15.75	315,000	1,575.0
8053	1,000 m. ....	1.50	30,000	1,500.0
		174.75	-----	5,000.0

I have designated Captain T. J. Flynn, of the Receipts and Disbursements Division of my office to act as liaison officer with the Treasury Department in this matter as he has been doing in connection with the first order. Captain Flynn will confer with Mr. Hall, Director of the Bureau of Engraving and Printing, on any details which may arise with reference to printing, crating, shipping, etc.

It will be a pleasure to provide your office with any additional information that may be desired with reference to this matter.

Sincerely yours,

(Signed) A. H. Carter,

A. H. CARTER,

*Major General, G. S. C., Fiscal Director.*

30. LETTER FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO COLONEL H. R. PAIGE, CHIEF OF INTERNATIONAL SECTION, ACAS, M. M. & D., ROOM 5-D-887, PENTAGON BUILDING, ARLINGTON, VIRGINIA

MAY 18, 1944.

Colonel H. R. PAIGE,

*Chief of International Section, ACAS, M. M. & D.,*

*Room 5-D-887, Pentagon Building, Arlington, Virginia.*

DEAR SIR: Pursuant to your conversation with Mr. D. W. Bell, Under Secretary of the Treasury, information concerning the shipment of dry colors, vehicles, and extenders for the printing of the

German mark, which have been requested by the Russian Embassy, is attached. There is also attached a photograph showing the materials in question.

We are prepared to deliver the materials to any place that you may designate but would like to have at least two hours' advance notice. Boxes and drums contain only markings of the box and drum numbers and their corresponding weights.

Very truly yours,

A. W. HALL, *Director.*

31. LETTER FROM A. GROMYKO, AMBASSADOR, THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, TO DANIEL W. BELL, UNDER-SECRETARY OF THE TREASURY

EMBASSY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., May 19, 1944.*

The Honorable DANIEL W. BELL,  
*Under Secretary of the Treasury,*  
*Washington, D. C.*

MY DEAR MR. BELL: Your letter of May 16th.

In accordance with your suggestion I am glad to request that the materials (dry inks and pigments) which are not ready for shipment be prepared in proportions required by the formula. The total weight of the materials, however, should remain the same. As it was said at the latest meeting at the Treasury the weight would be around 6,000 lbs.

Very truly yours,

(s) A. GROMYKO, *Ambassador.*

32. MEMORANDUM FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDERSECRETARY OF THE TREASURY

MAY 23, 1944.

To: D. W. Bell, Under Secretary of the Treasury.  
From: A. W. Hall, Director.

Here is a progress report on the shipment of dry colors and extenders to the "X" Government.

The first shipment containing negatives, formula, specifications, etc., was prepared for shipment by working the employees 'round the clock. After several urgent calls from the Embassy, delivery was made to that point on April 21. On May 13, twenty-two days later, this shipment left Washington by airplane. No confirmation has as yet been received as to whether or not it arrived at its destination.

The second shipment, weighing approximately 16,500 pounds, was also prepared and crated on an overtime basis, and was available for shipment on May 9. On May 22, thirteen days later, the Chief of the International Section ACAS, called on the telephone and asked that this material be delivered to the Washington Airport at 6 A. M., May 23. The material was loaded on the trucks yesterday, and a crew of men brought in to work at 5 A. M. today, and delivery was made to the Airport before 6 A. M. Five airplanes, which had been reconditioned yesterday, were loaded by bureau employees. Colonel Col-

lins of the Air Transport Command said that it was necessary to do this early loading so that the planes could take off before 9 A. M. He also informed me that five representatives of the Embassy would accompany the shipment.

This morning at 10:15, the Third Secretary to the Embassy called on me and asked whether each crate had the address stenciled on it. He was informed that arrangements had not been made for the stenciling, and that so far as I knew the material was on its way by plane. He told me that could not be so since the five representatives had not been cleared by the Department of State. He further stated that the Ambassador had made arrangements for these five representatives to board the planes on Wednesday, May 24. I called Colonel Collins to ascertain whether the planes had left, and he informed me that the crews of the five planes were standing by waiting for the representatives of the Embassy. He further stated that the crews were becoming impatient as they wanted to land at Great Falls, Montana, before sundown. When I informed him that the representatives of the Embassy would not be available until tomorrow, he was shocked. I then called Colonel Paige to find out whether it would be necessary to stencil the address on the crates. He was pretty much upset about the failure of the Embassy to have their men on hand. He stated that he saw no reason for stenciling the address on the boxes since there was no other cargo on the planes. He further stated that he had been misinformed by someone at the Purchasing Commission, and that he had made arrangements to send the planes out by 1:30 without the Embassy representatives if they were not available at that time.

The Third Secretary to the Embassy left my office with the intention of trying to straighten out the mess, and I believe he will endeavor to have the planes held over until tomorrow so that the representatives of the Embassy can accompany the shipment. If the planes are required to remain overnight, Colonel Collins said it would be necessary to station a guard in each plane, and a guard around the area where the planes are parked.

The third shipment was practically completed and ready to go when the letter was received yesterday from the Embassy changing the whole set-up. It is necessary now to uncrate all of the material and rearrange the whole shipment. You will remember when we talked to the Ambassador, he insisted upon complying strictly with instructions he received from his government, and now that his government has reversed itself, we have to do the job all over again.

This has been a pretty trying assignment for all associated with it.

33. MEMORANDUM FROM A. W. HALL, DIRECTOR, BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDER SECRETARY OF THE TREASURY

MAY 26, 1944.

To: D. W. Bell, Under Secretary of the Treasury.

From: A. W. Hall, Director.

I was advised today by Colonel Collins of the Air Transport Command that the five planes loaded with dry colors, extenders, etc., left the Washington Airport early Wednesday morning, May 24. One of the planes, after being out sometime, returned to the airport for further adjustments on one motor. This plane left later in the day.

Colonel Collins stated that on Tuesday, May 23, a Colonel from the Embassy appeared at the Washington Airport with a truck loaded with boxes. Colonel Collins said he thought the boxes contained American canned goods and American liquor. The representative of the Embassy insisted that the truckload be divided equally among the five planes. Notwithstanding the fact that the Colonel felt each plane was loaded to capacity, he agreed finally to add two hundred pounds to each plane. The remaining boxes on the truck were returned to the Embassy.

Colonel Collins expressed his appreciation for the cooperation received from the bureau, the manner in which the material was crated, and for the assistance in loading the planes. He said he was glad that the planes finally got away as he was relieved of additional confusion in arranging the shipment.

**34. LETTER FROM A. GROMYKO, AMBASSADOR OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, TO THE HONORABLE HENRY MORGENTHAU, JR.**

EMBASSY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., June 1, 1944.*

The Honorable HENRY MORGENTHAU, JR.,  
*Secretary of the Treasury, Washington, D. C.*

MY DEAR MR. SECRETARY: Hereby I wish to request you to repeat for us the supply of all the materials, in the same quantities, as contained in boxes Nos. 12, 14, 16, 23, 25, 26, 27 in accordance with the itemized statement enclosed with Mr. Bell's letter of May 11th. These materials have been despatched on planes to the People's Commissariat of Finance of the U. S. S. R. on May 25.

All the materials contained in the above-listed boxes perished in connection with a crash of the plane which carried them.

I should highly appreciate it if you could fulfill this request in the shortest possible time and inform me where and when the Embassy could receive the above-mentioned materials as well as the materials which are being prepared at the present time in addition to those previously supplied.

Sincerely yours,

(s) A. GROMYKO, *Ambassador.*

**35. MEMORANDUM FROM A. W. HALL, DIRECTOR, BUREAU OF ENGRAVING AND PRINGING, TO D. W. BELL, UNDER SECRETARY OF THE TREASURY**

JUNE 2, 1944.

To: D. W. Bell, Under Secretary of the Treasury.

From: A. W. Hall, Director.

During a discussion in your office on May 11, 1944, the Russian Ambassador reiterated his request for one hundred pounds of dry colors for the printing of the German mark. During this discussion an attempt was made to convince the Ambassador that by so ordering the materials the ink which could be prepared would be out of propor-

tion to the requirements for the printing. Subsequent to this discussion and on the same date, a communication was dispatched to the Ambassador in which, among other things, it was suggested that he communicate with his Government in an endeavor to have the materials ordered in proportion to the formulas. On May 19, 1944, in his letter, the Ambassador agreed that the materials be supplied in the proportions required by the formulas.

Since that date we have been in the process of purchasing the materials and preparing them for shipment and it may now be reported that they are ready. There will be twenty-six shipping crates and four drums, the gross weight of which is 9,000 pounds, representing a volume of 330 cubic feet. In case number 26 there has been enclosed a complete description of all the materials that are being shipped, as well as a statement showing the amount of inks that can be made from the materials. The cost involved in the purchasing of these materials and in crating them for shipment is approximately \$4,300.00.

36. LETTER AND ATTACHMENT FROM D. W. BELL, ACTING SECRETARY OF THE TREASURY, TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

JUNE 5, 1944.

HIS EXCELLENCY, THE AMBASSADOR EXTRAORDINARY AND  
PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: On May 11, 1944, you requested that an additional one hundred pounds of dry colors for the printing of the German mark be prepared for shipment to your country. Subsequently, in a letter dated May 19, 1944, you agreed, in response to our suggestion, that the dry colors be furnished in the proportions required by the formulas supplied you previously.

Since that date the purchase and crating of the materials has been in progress. It may now be reported that everything is in readiness for their shipment and we await further instructions from you for their delivery.

Twenty-six shipping crates and four fifty-gallon drums are represented, the gross weight of which is 9,000 pounds and the volume, 330 cubic feet. There are being forwarded to you herewith itemized statements showing the number of pounds of completed inks it will be possible to make from the dry colors, vehicles, and extenders which have been prepared for shipment, as well as information concerning the contents, size, and weight of the shipping cases. Complete information concerning the above materials is being enclosed in shipping crate number twenty-six.

It is sincerely hoped that the materials will be satisfactory for the intended use.

Very truly yours,

(Signed) D. W. BELL,  
*Acting Secretary of the Treasury.*

Attachments—2.

JUNE 2, 1914.

Box No.	Material	Height (inches)	Width (inches)	Length (inches)	Volume (cu. ft.)	Net wt. (lb.)	Gross wt. (lb.)
1	Chrome Yellow Med. m.	33	27	27	13.9	330	480
2	Chrome Yellow Medium.	33	27	27	13.9	330	447
3	Chrome Yellow Medium.	33	27	27	13.9	330	484
4	Carbon Black.					100	
	Rose Toner.	26	21½	68½	22.2	47	314
5	Carbon Black.	24½	26½	52	19.5	150	390
6	Monastrol Blue.					74	
	Brilliant Green.	21½	21½	41½	11.1	51	250
7	Watchung Red.					121	
	Ramapo Green.	32	26	51	24.6	123	425
8	Chrome Yellow Light.					100	
	Alkali Blue, Green Tone.					100	
	Ox. Drier.	20	29	29	9.7		3.5
9	Milori Blue, Green Tone.	20	29	29	9.7	85	200
10	Ramapo Green.					15	
	Methyl Violet.	20	29	29	9.7	10	161
11	Victoria Blue.	20	29	29	9.7	80	190
12	Rhodamine Toner.	18	11½	29½	4.4	48	109
13	Aluminum Hydrate.	20	29	29	9.7	45	152
14	Laketine.	16	29	29	7.8	200	271
15	Laketine.	16	29	29	7.8	200	265
16	Laketine.	16	29	29	7.8	200	269
17	Laketine.	16	29	29	7.8	200	266
18	Laketine.	16	29	29	7.8	200	269
19	Laketine.	16	29	29	7.8	200	264
20	Laketine.	16	29	29	7.8	200	265
21	Hard Drying Varnish.					80	
	#00 Pale Litho Varnish.					40	
	#0 Pale Litho Varnish.					70	
	#3 Pale Litho Varnish.	17½	21½	31½	7.5	20	245
22	#5 Pale Litho Varnish.	17½	21½	31½	7.5	227	300
23	#1 Pale Litho Varnish.					160	
	#5 Reg. Litho Varnish.					30	
	#0 Pale Litho Varnish.	17½	21½	34½	7.5	20	285
24	Long Varnish.					40	
	Embossing Varnish.					8	
	Cobalt Drier.					15	
	Hi-Gloss Varnish.	17½	16	29½	4.8	16	162
25	Aluminum Stearate.					5	
	#5 Pale Litho Varnish.					40	
	#0 Reg. Litho Varnish.	18½	21½	27½	6.3	26	145
26	Medium Lithol Red.	32½	26½	53½	26.7	219	432
	Drums:	Diameter	Height				
27	#1 Pale Litho Varnish.	23	35		10.7	420	475
28	#1 Reg. Litho Varnish.	23	35		10.7	374	428
29	#1 Reg. Litho Varnish.	23	31½		10.6	290	340
30	#2 Pale Litho Varnish.	23	35		10.7	356	405
	Totals.				329.6	6,062	8,959

## SECOND SHIPMENT OF DRY COLORS, VARNISHES, AND EXTENDERS FOR INVASION CURRENCY—GERMANY

Attached is a list of the dry colors, varnishes, and extenders included in the second shipment. The amount of each material sent has been based on the formulas for the inks and upon past experience in the use of the inks. Enough material has been sent to manufacture approximately

630 lb. of G-831-O  
 630 lb. of B-745-O  
 630 lb. of BK-32-O  
 1,890 lb. of BN-875-O  
 630 lb. of P-748-O  
 315 lb. of BK-613-T  
 315 lb. of M-694-O  
 315 lb. of B-746-O  
 315 lb. of R-696-O  
 315 lb. of G-832-O

Experience has shown that three times as much brown ink is required as any other ink. The last four inks listed above are required in lesser amounts because each is used only with certain denominations.

37. MEMORANDUM FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDER SECRETARY OF THE TREASURY

JUNE 6, 1944.

To: D. W. Bell, Under Secretary of the Treasury.

From: A. W. Hall, Director.

In a letter dated June 1, 1944, forwarded to us on June 3, 1944, the Russian Ambassador makes reference to the loss in a plane crash of seven boxes containing dry colors, vehicles, and extenders for the printing of the German mark and requests that these materials be replaced in the shortest possible time.

Immediately upon receipt of the Ambassador's request, work was begun in obtaining, assembling, and crating the materials. The work will be completed and the materials will be ready for shipment on Wednesday, June 7, 1944. The volume represented by the materials is 140 cubic feet with a gross weight of 3,800 pounds. The cost of labor and materials involved is \$2,200.00.

The Ambassador further requests in his letter of June 1 that he be informed as to where and when the materials requested on his second order could be received. As you are of course aware, my memorandum of June 2 stated that the second order was ready for shipment and we are awaiting instructions from the Russian Embassy.

38. LETTER AND ATTACHMENT FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

JUNE 6, 1944 (Letter signed).

HIS EXCELLENCY THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, Washington, D. C.

My DEAR MR. AMBASSADOR: In your letter of June 1, 1944, you refer to the loss of seven boxes containing dry colors, vehicles, and extenders for the printing of the German mark and request duplicate shipment of these materials at the earliest possible moment. You also request that you be advised concerning the availability of the materials requested on your second order.

I am pleased to inform you that the seven items representing replacement of the materials lost in the plane crash will be ready for shipment on Wednesday, June 7. We shall await your directions regarding shipment. The materials comprising the second order were made available for shipment on June 5. I trust that this arrangement meets with your approval.

An itemized statement showing the contents, sizes, volumes, and weights of the materials represented by the seven replacement items is attached for your information.

Very truly yours,

\_\_\_\_\_  
Secretary of the Treasury.

Attachment.

Box No.		Height (inches)	Width (inches)	Length (inches)	Volume (cu. ft.)	Net wt. (lb.)	Gross wt. (lb.)
12	Ramapo Green.....	31 $\frac{1}{4}$	26 $\frac{1}{4}$	76 $\frac{1}{4}$	36.5	250	550
14	Victoria Blue Toner.....	28 $\frac{1}{4}$	21 $\frac{1}{4}$	63	22.1	250	545
16	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{4}$	13.1	400	510
23	Lakeline.....	30	27 $\frac{1}{4}$	27 $\frac{1}{4}$	13.1	400	565
25	#2 Pale Litho. Varnish.....					200	
	#00 Pale Litho. Varnish.....	18 $\frac{1}{4}$	22 $\frac{1}{4}$	42	10.0	120	445
26	Box containing Specimen Glue, Fibers, Dandy Roll Stamping, Aluminum Hydrate.....					15	
	Hard Drying Varnish.....					100	
	Long Varnish.....					120	
	#6 Pale Litho. Varnish.....					65	
	#0 Reg. Litho. Varnish.....	32 $\frac{1}{4}$	28	61	20.9	48	615
27	Ox Drier.....					18	
	III Gloss Varnish.....					25	
	Cobalt Drier.....					100	
	Aluminum Stearate.....					112	
	Embossing Varnish.....					25	
	#3 Pale Litho. Varnish.....	26 $\frac{1}{4}$	20	39 $\frac{1}{4}$	17.5	24	
						39	575

All boxes, in addition to the number designation, are also marked "Replacement."

39. LETTER FROM A. GROMYKO, OF THE U. S. S. R., WASHINGTON, D. C., TO THE HONORABLE HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,

Washington, D. C., June 7, 1944.

The Honorable HENRY MORGENTHAU,

Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: Thank you very much for your cooperation and prompt attention to my request and for informing me that the materials that have been lost in an air crash have been replaced and are ready for shipment, as well as the materials comprising the second order, about which Mr. Bell was courteous enough to inform me in his letter of June 5.

The Embassy is making arrangements to forward these freights by planes and will inform the Treasury of the date when the materials may be forwarded to the airport.

Very truly yours,

(Signed) A. GROMYKO, Ambassador.

40. LETTER AND ATTACHMENT FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO COLONEL H. R. PAIGE, CHIEF OF INTERNATIONAL SECTION, ACAS, M. M. & D., ROOM 5-D-887 PENTAGON BUILDING, ARLINGTON, VIRGINIA

JUNE 9, 1944.

Colonel H. R. PAIGE,

Chief of International Section, ACAS, M. M. & D.,

Room 5-D-887 Pentagon Building, Arlington, Virginia

DEAR SIR: Pursuant to your conversation with Mr. D. W. Bell, Under Secretary of the Treasury, information concerning the shipment of dry colors, vehicles, and extenders for the printing of the German mark, which have been requested by the Russian Embassy, is attached.

We are prepared to deliver the materials to any place that you may designate but would like to have at least two hours' advance notice.

Boxes and drums contain only markings of the box and drum numbers and their corresponding weights.

Very truly yours,

A. W. HALL, *Director.*

41. LETTER DATED ON OR ABOUT JUNE 9, 1944, FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

HIS EXCELLENCY THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: Accompanying my letter of June 5, 1944, was an itemized statement showing pertinent information in connection with materials being furnished on your second order for the printing of the German mark. This statement indicated the numbers of the boxes and drums to run from one to thirty consecutively. In view of the fact that the materials furnished on the first order, some of which have not yet reached their destination, were likewise numbered from one up consecutively, it has been concluded that for the purpose of further identification the second shipment should be numbered with a letter suffixing the number.

The attached list, otherwise identical to the one forwarded you on June 5, shows the box and drum numbers with the letter "A" following the numbers. Should it become necessary, therefore, to refer to the boxes or drums represented by the second shipment the complete number-letter designation should be given.

The seven boxes referred to in my letter of June 6, 1944, requested by you for the replacement of the seven original boxes lost in a plane crash, should not be confused with the materials requested on your second order. Each of the seven boxes contains the word "Replacement" immediately following the number designation. A copy of the itemized statement covering the seven replacement boxes is also attached.

It is hoped that this supplemental information will serve to clarify the situation.

Very truly yours,

*Secretary of the Treasury.*

Attachments.

AWH:bpb.

6/9/44.

42. MEMORANDUM FROM A. W. HALL, DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO D. W. BELL, UNDER SECRETARY OF THE TREASURY

JUNE 12, 1944.

To D. W. Bell, Under Secretary of the Treasury.

From A. W. Hall, Director.

The second shipment of dry colors and extenders, comprised of thirty crates and drums, and the replacement shipment, comprising

seven crates and drums, will leave the Bureau of Engraving and Printing tomorrow morning, June 13, at 5:30 A. M. to be loaded on planes at the National Airport at 6 A. M. Colonel Paige advised that they expect to get the five planes on their way around 7 A. M.

43. LETTER FROM A. KAPUSTIN, CHARGÉ D'AFFAIRES, EMBASSY OF THE U. S. S. R., WASHINGTON, D. C., TO THE HONORABLE HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

EMBASSY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., June 27, 1944.*

The Honorable HENRY MORGENTHAU,  
*Secretary of the Treasury, Washington, D. C.*

MY DEAR MR. SECRETARY: Hereby I wish to inform you that Marks that will be printed in the Soviet Union will begin with the following numbers:

1/2 Mark-----	50,000,001	20 Marks-----	50,000,001
1 Mark-----	75,000,001	50 Marks-----	40,000,001
5 Marks-----	50,000,001	100 Marks-----	35,000,001
10 Marks-----	50,000,001	1,000 Marks-----	25,000,001

Sincerely yours,

s/ A. Kapustin  
A. KAPUSTIN,  
*Chargé d'Affaires.*

44. LETTER DATED ON OR ABOUT JULY 28, 1944, FROM THE SECRETARY OF THE TREASURY TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

His Excellency the AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: In order to be in a position to establish definitely the genuineness or the spuriousness of Allied Military currency notes which at some time in the future will be submitted for examination, it would be greatly appreciated if you could furnish this Department with specimens of invasion currency for Germany which your Government is printing from glass positives furnished by this Department. The availability of these specimens will greatly facilitate our examination of any questioned notes which may be submitted.

Your cooperation in this matter will be appreciated.

Very truly yours,

*Secretary of the Treasury.*

A. W. Hall: 1hg.  
7/28/44.

45. LETTER DATED MARCH 23, 1945, FROM FRANK J. MCSHERRY, BRIG. GENERAL, GSC, DEPUTY ASSISTANT, CHIEF OF STAFF, G-5, SUPREME HEADQUARTERS ALLIED EXPEDITIONARY FORCES, TO MAJOR GENERAL JOHN W. HILLDRING, DIRECTOR, CIVIL AFFAIRS DIVISION, WAR DEPARTMENT, WASHINGTON, D. C.

## SUPREME HEADQUARTERS

## ALLIED EXPEDITIONARY FORCE

## G-5 Division

23 MARCH 1945.

SHAEF/G-5/FIN/1/5

Major General JOHN H. HILLDRING,  
*Director, Civil Affairs Division,  
 War Department, Washington 25, D. C.*

DEAR GENERAL HILLDRING: With further reference to our letter of 14 February 1945 and the reply thereto of 10 March 1945 relating to Russian printing of Allied Military marks, our records indicate that serial numbers of mark notes, placed at the disposal of SHAEF, began with serial number 1 and included the serial numbers as under:

Denomination (in Marks):

	<i>Last Serial No. of US Printing</i>
$\frac{1}{4}$ -----	75, 448, 000
1-----	114, 200, 000
5-----	75, 800, 000
10-----	77, 800, 000
20-----	75, 544, 000
50-----	61, 120, 000
100-----	48, 084, 000
1, 000-----	4, 532, 000

We do not anticipate any operational difficulties as far as SHAEF is concerned in connection with the overlapping of serial numbers between US and Russian printing of Military marks. However, it might be well to point out that such duplication of serial numbers may give rise to certain problems for the German authorities since duplication of serial numbers removes one of the easiest checks against counterfeit notes.

Yours,

FRANK J. MCSHERRY,  
*Brigadier General GSC,  
 Deputy Assistant Chief of Staff, G-5.*

46. MEMORANDUM DATED MAY 24, 1945, OF THE DEPARTMENT OF STATE,  
DIVISION OF EUROPEAN AFFAIRS, OFD—MR. COLLADO

## DEPARTMENT OF STATE

## DIVISION OF EUROPEAN AFFAIRS

## MEMORANDUM

OFD—Mr. Collado

MAY 24, 1945.

Mr. Kapustin, Counselor of the Soviet Embassy, called this afternoon to make the following request:

He stated that the Soviet Embassy had just received a message requesting that the Soviet Government desired that we furnish, under the same conditions as previously, additional dyes for use in printing additional German occupation currency. Mr. Kapustin stated that he was not definitely sure of the names of these dyes, since the list was received by telegraph and has been obviously transliterated twice.

The following list contains the name and amount of each dye requested:

	<i>Kg.</i>	
Medium lithol red.....	250	551
Kraplak mederlak X6860 Imprint.....	1500	3,307
Ramano green 591D Imprint.....	200	441
Viktorin blue tonner.....	200	441
Veching red 455D Imprint.....	350	772

NOTE.—Italic denote pencil notation.

It is desired that the dyes be made available in dry form.

If the Treasury officials are not able to identify the colors in question, Mr. Kapustin promised to ask for further details from Moscow.

*Later translation by State Department*

	<i>Kg.</i>	<i>Lbs.</i>
Medium lithol red.....	250	550
Madder lake.....	1,500	3,300
Ramapo green.....	200	440
Victoria blue toner.....	200	440
Watchung red.....	350	770

5,500

NOTE.—Italic denotes pencil notation.

To be crated for overseas shipment and stenciled in accordance with instructions to be furnished later.

Reimbursement to be made by the Embassy of the Union of Soviet Socialist Republics in the U. S.

Authority—A. W. Hall, Director.

See order #2142, Aug. 31, 1945 (M. O. 163).

47. MEMORANDUM OF THE BUREAU OF ENGRAVING AND PRINTING  
REGARDING STATEMENT OF INKS ORDERED FOR THE SOVIET GOVERNMENT BY MEMORANDUM FROM THE STATE DEPARTMENT UNDER DATE OF MAY 24, 1945, QUANTITIES SHIPPED BY THE BUREAU OF ENGRAVING AND PRINTING, AND THE BALANCE DUE ON ORDER

Statement of Inks ordered for the Soviet Government by memorandum from the State Department under date of May 24, 1945, quan-

titles shipped by the Bureau of Engraving and Printing, and the balance due on order.

Description	Number of Pounds (net weight)				Due on Order
	Ordered	Shipped			
		Nov. 2, 1945	Feb. 11, 1946	Total	
Medium lithol red	550	556		556	
Madder Lake red	3,300	1,470	1,531	3,010	290
Ramapo green	440	450		450	
Victoria blue	440	425		425	
Watchung red	770	605	175	780	
Total	5,500	3,515	1,706	5,221	290

FEBRUARY 12, 1946.

The original of this statement was sent to Mr. Alexander G. Vislych, Attaché of Embassy, Union of Soviet Socialist Republics, 1119 16th St. NW.

No. 7550, ext. 67.

Alexander G. Vislych

Attaché of Embassy

Union of Soviet Socialist Republics

48. THIRD-PARTY NOTE WITH ATTACHMENTS FROM THE DEPARTMENT OF STATE, WASHINGTON, D. C., TO THE HONORABLE SECRETARY OF THE TREASURY

DEPARTMENT OF STATE,  
Washington, August 27, 1945.

In reply refer to  
FN CS/D 811.515/8-845

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith a copy of a translation made in the Department of a note from the Embassy of the Union of Soviet Socialist Republics in the United States concerning the purchase by the Soviet Government of dry ink to be used in the printing of German occupation currency. The Secretary of State would appreciate an indication of the nature of the reply that may be made to the Embassy of the Union of Soviet Socialist Republics.

Enclosure: As stated.

DEPARTMENT OF STATE

CENTRAL TRANSLATING DIVISION

[Translation]

TC No. 15865

EMBASSY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
Washington, August 8, 1945.

The Chargé d'Affaires of the Union of Soviet Socialist Republics in the U. S. A. presents his compliments to the Secretary of State

and, with reference to the preliminary discussions between the Counselor of the Embassy, Mr. Kapustin, and Mr. Durbrow regarding the question of placing at the disposal of the Soviet Government 2,500 kilograms of dry ink, indispensable for the printing of German occupation marks, has the honor to inform him that the Soviet Government agrees to buy the above-mentioned ink in accordance with the specifications previously transmitted to the Department of State and against the payment of 11,200 American dollars.

The Charge d'Affaires requests the Department of State to take this matter up with the Treasury and to inform the Embassy regarding the bank to which the money in payment for the ink should be transferred, and also to indicate how soon the ink can be received for shipment to the Soviet Union.

(Initialed.)

49. LETTER DATED SEPTEMBER 7, 1945, FROM HERBERT E. GASTON, ACTING SECRETARY OF THE TREASURY, TO THE HONORABLE SECRETARY OF STATE

SEP. 7, 1945.

The Honorable The SECRETARY OF STATE.

MY DEAR MR. SECRETARY: I have received your note of August 27, 1945 (FN CS/D 811.515/8-845), enclosing a translation of a note from the Embassy of the Union of Soviet Socialist Republics, concerning the purchase of dry colors for making ink to be used in the printing of German occupation currency.

The Bureau of Engraving and Printing has been instructed to furnish the colors requested, but since they are not carried in stock it is necessary to procure them from the dry-color manufacturers. It is estimated that it will require six weeks to complete the purchase. When the shipment is ready, the Bureau of Engraving and Printing will send the bill to the Embassy covering the cost of materials and crating, settlement of which can be made by drawing a check to the order of the Treasurer of the United States. The Soviet Embassy should furnish the bureau with shipping instructions.

Very truly yours,

(Signed) HERBERT E. GASTON,  
*Acting Secretary of the Treasury.*

50. LETTER WITH ENCLOSURE FROM D. W. BELL, UNDERSECRETARY OF THE TREASURY, TO THE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION SOVIET SOCIALIST REPUBLICS, WASHINGTON, D. C.

NOVEMBER 8, 1945.

His Excellency the AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C.*

MY DEAR MR. AMBASSADOR: Pursuant to the arrangements made by your Government for the purchase of dry colors for inks to be used in the printing of German occupation currency, you are advised that the requested materials were dispatched by the Bureau of Engraving and Printing via Railway Express Agency, Inc., on November 2, 1945.

The shipment comprised 17 cases, a list of which is shown in the attached statement.

Very truly yours,

(S) D. W. BELL,  
*Under Secretary of the Treasury.*

Enclosure.

BUREAU OF ENGRAVING AND PRINTING

STATEMENT OF DRY COLORS SHIPPED TO THE SOVIET GOVERNMENT ON  
NOVEMBER 2, 1945

Shipping address—

To: A. Busleev, Government Purchasing Commission, 210  
Madison Avenue, New York City.

The USSR, Moscow, the People's Commissariat of Finance.

From: The Embassy of the USSR.

Case No.	Gross weight of case (pounds)	Net weight of material (pounds)	Description
1	488	250	Itamapo Green.
2	449	200	Itamapo Green.
3	366	170	Medium Lithol Red.
4	372	189	Medium Lithol Red.
5	357	144	Medium Lithol Red.
6	453	206	Madder Lake (Red).
7	471	125	Watchung Red.
8	418	109	Madder Lake (Red).
9	467	190	Madder Lake (Red).
10	433	233	Madder Lake (Red).
11	401	213	Madder Lake (Red).
12	404	173	Madder Lake (Red).
13	427	200	Victoria Blue Toner.
14	381	225	Victoria Blue Toner.
15	435	83	Medium Lithol Red.
16	460	81	Madder Lake (Red).
17	638	202	Madder Lake (Red).
		230	Watchung Red.
		250	Watchung Red.
		81	Madder Lake (Red).

(Information furnished by Ink Making Division.)

51. LETTER FROM (SIGNATURE ILLEGIBLE) CHARGE D' AFFAIRES, EMBASSY U. S. S. R., WASHINGTON, D. C., TO D. W. BELL, UNDER SECRETARY OF THE TREASURY

EMBASSY OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS,  
*Washington, D. C., November 26, 1945.*

Mr. D. W. BELL,

*Under Secretary of the Treasury,  
Treasury Department, Washington, D. C.*

MY DEAR MR. BELL: In the Ambassador's absence I acknowledge the receipt of your letter of November 8, 1945 and wish to thank you for your interest in informing us of the way the requested material was dispatched.

I wish, in my turn, to inform you that the shipment comprising 17 cases has been recently received in New York in good condition and will be transmitted to Moscow promptly.

Very truly yours,

N. Novico,  
*Charge d'Affaires.*

52. NOTE, WITH ATTACHMENTS, INITIALED EGS, TO MR. ALEXANDER G. VISLYCH, ATTACHÉ OF EMBASSY, U. S. S. R., WASHINGTON, D. C.

FEBRUARY 11, 1946.

To: Mr. Alexander G. Vislych, Attaché of Embassy, Union of Soviet Socialist Republics.

Herewith is a statement showing the gross weight and the net weight of each of the 10 cases of inks which have been dispatched this day by Railway Express Agency, Inc.

E. G. S.

BUREAU OF ENGRAVING AND PRINTING

STATEMENT OF DRY COLORS SHIPPED TO THE SOVIET GOVERNMENT ON  
FEBRUARY 11, 1946

Shipping Address—

To: A. Buslaev,  
Government Purchasing Commission,  
210 Madison Avenue, New York City.  
The USSR, Moscow,  
The People-Commissariat of Finance.  
From: The Embassy of the USSR.

Case No.	Gross weight of case (pounds)	Net weight of material (pounds)	Description
18.....	420	125	Watchung Red.
19.....	238	93	Madder Lake Red.
20.....	348	105	Madder Lake Red.
21.....	360	150	Madder Lake Red.
22.....	362	188	Madder Lake Red.
23.....	376	190	Madder Lake Red.
24.....	397	186	Madder Lake Red.
25.....	368	101	Madder Lake Red.
26.....	394	163	Madder Lake Red.
27.....	130	175	Madder Lake Red.
		50	Watchung Red.
Total.....	3,523	1,706	

Approximate value of material, \$3,412.

53. LETTER FROM C. R. LONG, ACTING DIRECTOR OF THE BUREAU OF ENGRAVING AND PRINTING, TO MR. ALEXANDER G. VISLYCH, ATTACHÉ OF EMBASSY, U. S. S. R., WASHINGTON, D. C.

FEBRUARY 21, 1946.

MR. ALEXANDER G. VISLYCH,  
*Attaché of Embassy, Union of Soviet Socialist Republics,*  
*Washington, D. C.*

DEAR SIR: Please be advised that the following shipment of Madder Lake Red ink has been dispatched this day by Railway Express Agency, Incorporated.

Case Number, 28.  
Gross Weight (Pounds), 589.  
Net Weight (Pounds), 295.

Shipping address:

To: A. Buslaev  
Government Purchasing Commission  
210 Madison Avenue  
New York City

The USSR, Moscow  
The People Commissariat of Finance

From: The Embassy of the USSR

This shipment, together with the 3,515 pounds dispatched on November 2, 1945, and the 1,706 pounds dispatched on February 11, 1946, makes a total of 5,516 pounds which completes the order placed by your government and transmitted through the Department of State in a memorandum dated May 24, 1945.

A bill covering the cost of the material will be submitted at an early date.

Very truly yours,

C. R. LONG, *Acting Director.*

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## APPENDIX C

### RECORDS OF LETTERS AND OTHER DOCUMENTS PERTAINING TO ALLIED MILITARY MARKS SUBMITTED BY WAR DEPARTMENT

The following letter and records of other communications as well as meetings have been supplied by the War Department to the Senate Committee on Appropriations in response to a request of Chairman Bridges made at the public hearing held on June 17 and 18, 1947, in connection with Occupation Currency transactions.

LETTER BY HOWARD C. PETERSON, ASSISTANT SECRETARY OF WAR, TO  
CHAIRMAN BRIDGES

WAR DEPARTMENT,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, D. C., July 3, 1947.*

Honorable STYLES BRIDGES,  
*United States Senate.*

DEAR SENATOR BRIDGES: In accordance with your request, made at the hearing regarding occupation currency transactions on June 18, 1947, there are submitted herewith copies of cablegrams, memoranda, letters, and all other pertinent documents pertaining to Allied Military marks, which have been compiled after a thorough search of War Department records both here and in Germany. It is believed that the documents submitted represent all available material in the cate-

gories listed by your Committees. Should any additional material be desired, the War Department will be pleased to make every effort to secure it without delay.

Necessary action has been taken by the War Department with respect to cryptographic security, so that the verbatim copies of radiograms submitted may be regarded as unclassified and published without paraphrasing.

As requested by the Committees, the accounts on marks, and the exchange of cables between the theater and War Department relative to these accounts, are being held available in the War Department for the inspection of the Committees or their authorized representatives at any time.

Details of the disposal program in connection with the holdings of foreign currency are not included in the material provided. If it is desired to take up this matter, it is suggested that an executive session of the Committees be called, at which time the War Department will provide full details on this program. It is considered in the best interests of the United States to maintain the present security classification of material regarding this program for the present.

Detailed correspondence regarding the introduction, shipment, and conversion of Military Payment Certificates is not included. It is believed that this material would be of no assistance to the Committees in their investigation. If desired, however, it will be made available immediately.

In view of the fact that your Committees have afforded the War Department full opportunity to place the facts regarding occupational currencies before the Senate, no report is expected to be submitted by the War Department to the Congress on this matter unless requested.

Sincerely yours,

Howard C. Petersen,  
HOWARD C. PETERSEN,  
*Assistant Secretary of War.*

Incl.:

Summary dated 3 July of documentation requested by Senate Committees.

#### EXTRACT

MINUTES OF MEETING HELD IN MR. McCLOY'S OFFICE, 21 DECEMBER 1943 AT 1100 HRS.

(Meeting of U. S. members of ad hoc Committee on fiscal planning—Western Europe.)

Present at meeting: Mr. McCloy; General Hilldring; Mr. Bonbright, State Department; Mr. Plakias, State Department; Mr. Reinstein, State Department; Mr. Wells, State Department; Mr. Taylor, Treasury Department; Colonel Gilchrist, ASF; Lt. Col. Pforzheimer, Budget Division; Comdr. Tuck, Navy Department; Lt. Comdr. Gluckstadt, Navy Department; Major Hilliard, CAD.

Regarding plans for a German mark currency, Mr. Taylor said that no answer had yet been received from the Russians, but that reply is expected by the middle of this week. Meanwhile the Russians have been informed that the Treasury Department, with British concurrence, are going ahead with preparation of design for an Allied

Military mark. It is understood that the Russian Treasury representative in Washington has stated that if no word is received promptly from Moscow, it is nevertheless agreeable that plans proceed for the preparation of a design and the putting of same into production after approval by U. S. and U. K. authorities. Mr. Taylor mentioned that the Treasury Department has been considering the name of "V-Mark" for supplemental mark currency and postage stamps. Reichsmarks would be at par with V-marks or at other fixed rate depending on developments. The idea of a V-mark has not been submitted to the Russians. Mr. McCloy expressed the view, which was concurred in by other members of the Committee, that it would be well to go slowly with the idea of the V-mark. Doubts were advanced as to the psychological value to the Allied of the "V" symbol in a defeated Axis country. In regard to preparations for a supplemental mark currency, Mr. McCloy indicated that it should be considered a matter of urgency.

Concerning an A. M. krone for Denmark, Mr. Taylor said that London has advised that they cannot print all of an Allied Military mark issue and therefore it seems to the U. S. Treasury that it might be better to print all of the marks here and all of an A. M. krone issue in London. A design for an A. M. krone is to be prepared either in Washington or London and to be submitted to the Committee for approval in due course. The Russians have not been consulted regarding an A. M. krone. It is not considered necessary to consult them.

/sgd/ CHARLES C. HILLIARD,  
Major, GSC.

#### EXCHANGE RATES FOR DANISH KRONE AND GERMAN REICHSMARK

WAR DEPARTMENT,  
OFFICE OF THE CHIEF OF STAFF,  
CIVIL AFFAIRS DIVISION,  
Washington 25, December 24, 1943.

Memorandum for: Colonel John R. Gilchrist, Foreign Fiscal Affairs Division, OFD-ASF.

Subject: Exchange Rates for Danish Krone and German Reichsmark.

In accordance with discussions at the meeting of the ad hoc committee on fiscal planning for Western Europe held on 21 December 1943, the inclosed memorandums received from the Treasury Department regarding the above subject are transmitted to you herewith for your consideration and concurrence.

J. H. HILLDRING,  
Major General, Director, Civil Affairs Division.

/sgd/ RAY J. LAUX  
Colonel, CSC, Executive.

2 Incls:

Incl. 1. Memo re Reichsmark Exchange Rate.

Incl. 2. Memo re Rate of Exchange for the Danish Krone.

## REICHSMARK EXCHANGE RATE

## Recommendations:

1. The economic basis for fixing an appropriate exchange rate for the German mark is not present at this time and it will not be present at any time prior to the actual entrance into Germany. Therefore, it would be extremely unwise to attempt at this time to fix an exchange rate for the German mark on any basis other than provisional.

2. This exchange rate should be considered as tentative depending upon further developments in the German price structure and price-control system and the amount of purchasing power available to the German people when the United Nations armies enter Germany. On this basis it is our recommendation that the exchange rate for the German mark should be fixed provisionally at 20 to the dollar or 5 cents to the mark.

3. Agreement with the British and Russians should be reached before this provisional exchange rate is fixed.

The above recommendations are based on the following considerations:

1. An adequate basis for fixing the exchange rate for the German mark does not exist at the present time. Between now and the final defeat of Germany there may well be a vast change in the German economic system, insofar as that system is based on centralized Nazi control, it may disintegrate before our troops reach the borders of Germany. It is certainly true that the German economy as well as the physical equipment of Germany will receive severe and devastating blows. Particularly the price-control system in Germany and the German price structure may undergo profound changes simultaneously with or prior to Allied occupation.

2. The recommended rate is based upon the estimated depreciation of the Germany currency at the present time and the increase in prices which have taken place. Even before the outbreak of the war, the German mark was sharply depreciated in foreign countries. For example, mark quotations showed the following depreciation in April 1939:

Registered marks.....	63%
Travelling marks.....	45%
Commercial marks.....	90%

All of these percentage depreciations are from the official 40-cent German mark rate which is still nominally in effect.

In October 1943, German Reichsmarks notes on neutral markets had an average value of about  $2\frac{1}{2}$  cents in U. S. currency. Since the import of German currency into Germany is prohibited, these rates, no doubt, are an exaggeration of the depreciation in the value of German currency. However, these notes do indicate that the German currency has fallen greatly in value in Germany itself.

The official price statistics of Germany show an increase of only 9% for wholesale prices and for the cost of living. These price indexes do not reflect the true situation. They fail to take into account the deterioration in quality and that some of the commodities which are included in the official statistics are either no longer available or

are available only in negligible quantities. Furthermore, the Germans have been able to continue to sell at low prices under the rationing system because of the large quantities of commodities which have been requisitioned in occupied territories or purchased at compulsory low prices from areas dominated by the Nazis. Black market prices, of course, are fantastically high. However, accurate information on the extent of the black market is not available.

An indication of the very large sum of purchasing power available in Germany is indicated by the German internal debt. The debt which was 11 billion Reichsmarks in 1933 has increased by August 1943 to 227 billion Reichsmarks. Currency in circulation has increased 350% since the outbreak of war, and bank deposits have more than doubled.

3. The basis for the determination of the exchange rate for German currency is not the same as the determination of exchange rates for the liberated friendly countries. In the case of Germany, it is not expected that international trade and international financial transactions will be permitted until the country itself is reorganized and an acceptable form of government evolves. It is impossible to tell at this stage on what basis Germany will resume its international economic and financial affairs. For a considerable period of time imports and exports will be on a controlled basis and therefore the exchange rate will not be the important element in the picture. The factors which usually would need to be considered in the determination of an appropriate exchange rate for a country are not present in the case of Germany. The only factors which justify consideration at this time are the amounts which are to be used for the pay of our troops and other military expenditures for which cash disbursements may be necessary.

This rate would therefore be provisional and subject to review at a later date.

(Received from Mr. H. D. White, Treasury Department, under date of December 22, 1943.)

#### EXTRACT

#### DRAFT

#### MINUTES OF MEETING HELD IN MR. McCLOY'S OFFICE, 6 JANUARY 1944 AT 0945 HRS.

(Meeting of U. S. Members of ad hoc Committee on Fiscal Planning—Western Europe.)

Present at meeting: Mr. McCloy; General Hildring; General Carter, ASF; Colonel Gilchrist, ASF; Colonel Marcus, CAD; Lt. Col. Gerhardt, OASW, Lt. Fisher, OASW; Lt. Col. Baxter, BOWD; Major Blewer, CAD; Major Hilliard, CAD; Mr. Acheson, State Department; Mr. Dunn, State Department; Mr. Reinstein, State Department; Mr. Taylor, Treasury Department; Mr. Luxford, Treasury Department; Commander Tuck, Navy Department; Lt. Comdr. Gluckstadt, Navy Department.

3. Regarding status of plans for preparation of invasion currencies:

c. Germany—The U. S. Treasury is drawing up a design for an A. M. Mark which will be ready by early next week. It is now planned

to print all A. M. Marks in Washington. Mr. Taylor stated that Sir David Waley has informed London accordingly.

4. Final discussion of rate of exchange for the German Mark was postponed. Meanwhile, General Carter expressed the view that the relationship of a 5-cent rate for the mark and a 2-cent rate for the French franc seems out of line. As a preliminary estimate, General Carter was inclined to favor a rate of 10 cents for the German Mark. In accordance with discussions at the present and preceeding meetings, Major Hilliard is to consult Mr. George Harrison upon the latter's return to Washington regarding exchange rates.

C. C. H.

EXTRACT

MINUTES OF MEETING HELD IN MR. MCCLOY'S OFFICE 1 FEBRUARY 1944  
AT 1000 HRS.

(Meeting of United States members of ad hoc Committee on Monetary and Fiscal Planning—Western Europe.)

Present at meeting: Mr. McCloy; General Hilldring; Mr. Bonbright, State Department; Mr. Plakias, State Department; Mr. Reinsteint, State Department; Mr. Taylor, Treasury Department; Colonel Gilchrist, ASF; Colonel Marcus, CAD; Colonel Foley, ACC; Lt. Col. Pforzheimer, BOWD; Lt. Comdr. Cottrell, Naval QOA; Lt. Comdr. Gluckstadt, Naval QOA; Major Blewer, CAD; Major Hilliard, CAD; Lt. Fisher, OASW.

2. Relative to present status of plans for invasion currencies, cable has gone forward to General Eisenhower under date of 29 January confirming that Treasury Department will begin printing of supplemental French franc currency on or before 15 February. The present status relative to currency for Denmark and for Germany was also indicated in the same cable. Relative to A. M. marks, the designs therefore proposed by the Bureau of Engraving and Printing, Treasury Department, were submitted to the meeting. Mr. Taylor outlined the present situation regarding British and Soviet concurrence. The British appear willing to have the A. M. mark issue produced by the U. S. Treasury Department, but the matter of Soviet concurrence has not yet been settled. In view of the time factor it is essential from the military standpoint that steps be taken urgently to get an A. M. mark into production, in such design and form, of course, as are likely to meet with Soviet agreement. It was therefore decided to proceed along the lines proposed by the Treasury Department, namely to go ahead with preparations for early production here of A. M. marks of above mentioned design, and at the same time to press for but not await full U. K. and U. S. S. R. concurrence.

8. The State Department has expressed the view that it is not necessary to have a special military currency for Austria. It was therefore decided, subject to coordination of views with the British authorities, that the initial issue of A. M. marks should be made large enough to allow for needs of the Austrian area.

(sgd/

CHARLES C. HILLIARD,

Major, GSC.

## IDENTIFICATION OF CURRENCY SHIPMENTS

OPD 311.23 CAD (24 Feb. 44) Combined Chiefs of Staff, Combined Civil Affairs Committee. By: Operations Div., WDGS, European Section, WDOPD. Lt. Conger

FEBRUARY 24, 1944.

SHAEF, LONDON.

Number 183

To Eisenhower for CAD Gov 7 from CCS cite CCAC repeated USFOR Information British Chiefs of Staff.

Special currencies shipment. Box markings outlined your VOG 5 considered on basis your views and certain requirements here. Markings requested will be used except as noted below.

Your code letter indicating type of currency will be followed by letter indicating denomination, and by numbers with zeros omitted to show number of notes in thousands. For example, box containing 64,000 10-franc notes will be marked "XC 64", box containing 32,000 100-mark notes will be marked "PH 32." Key to letter code is as follows: A equals 2 francs or 50 pfennigs, B equals 5 francs or 1 mark, C equals 10 francs or 5 marks, D is reserved for 20 francs if necessary to print at later date, E equals 50 francs or 10 marks, F equals 100 francs or 20 marks, G equals 500 francs or 50 marks, H equals 1,000 francs or 100 marks, J equals 5,000 francs or 1,000 marks.

First 3 denominations of both francs and mark currency will be packed 64,000 to the box. All other denominations will be packed 32,000 to the box.

Reference your 2 B marking requested will be in letters slightly under 2 inches.

Serial numbers of boxes first shipment will be continued on future shipments appearing on end of box.

Boxes being shipped in wooden lockers, each containing approximately 99. Lockers bear only War Department Transportation Corps marking. Lockers are to be returned to U. S. for subsequent shipments. Confirmation by air mail follows.

Originator: CCAC-CAD

G-2

CCS (Capt. Royal USN)

Admiral King

Mr. McCloy

ASF

## EXTRACT

MINUTES OF MEETING HELD IN MR. MCCLOY'S OFFICE 1 MARCH 1944  
AT 1030 HRS.

(Meeting of U. S. side of ad hoc Committee on Monetary and Fiscal Planning)

Present at meeting: General Hildring; Mr. Bonbright, State Department; Mr. Reinstein, State Department; Mr. Ellsworth, State Department; Mr. Taylor, Treasury Department; Mr. Aarons, Treasury Department; General Carter, ASF; Col. Gilchrist, ASF, Col.

Boekel, CAD; Lt. Comdr. Gluckstadt, Naval OAS; Lt. Comdr. Cottle, Naval OAS; Lt. Col. Pforzheimer, BOWD; Mr. Currie, FEA; Mr. Stein, Budget Bureau; Major Blewer, CAD; Major Hilliard, CAD.

4. Soviet views contained in Mr. Harriman's wire to the State Department under date of 15 February 1944, on the subject of production of Allied Military marks, were discussed. General Hilldring asked whether an insurmountable difficulty is foreseen in meeting Soviet request for AM mark currency plates. Mr. Taylor said that the Treasury Department has never before allowed use of their plates by others. The subject is under consideration at the Treasury Department for early decision.

5. General Hilldring instructed that the subject of exchange rate for the German mark be placed on the agenda for the next meeting of the U. S. side of the committee. Mr. Reinstein said that the State Department memorandum on the subject of exchange rate for the mark has not yet been approved within the department.

/sgd/ CHARLES C. HILLIARD,  
Major, GSC.

#### EXTRACT

MINUTES OF MEETING HELD IN OFFICE OF THE ASSISTANT SECRETARY  
OF WAR 8 MARCH 1944 AT 1030 HRS.

(Meeting of U. S. members of ad hoc Committee on Monetary and  
Fiscal Planning)

Present at meeting: General Hilldring; Mr. Bonbright, State Department; Mr. Labouisse, State Department; Mr. Reinstein, State Department; Mr. Taylor, Treasury Department; Mr. Aarons, Treasury Department; Mr. Angell, FEA; Col. Gilchrist, ASF; Col. Weber, ASF; Lt. Col. Baxter, BOWD; Lt. Comdr. Gluckstadt, Naval OAS; Major Blewer, CAD; Major Bush, CAD; Major Hilliard, CAD.

4. Further in regard to Austria, it was mentioned that as this area can at first be treated as part of Germany, Allied Military marks can be used initially therein by U. S. and other Allied forces. Mr. Taylor said that the U. S. Treasury is now preparing to reply to the British regarding the production of an issue of Allied Military schillings, except in regard to the inclusion of "Allied Military Authority" in design of the notes. The Treasury Department has been awaiting a ruling from the State Department on this point. Mr. Reinstein stated that the design of the Allied Military schilling, in the heading of which is included "Allied Military Authority," has the approval of the State Department. Mr. Taylor mentioned that there are two current questions remaining in regard to Allied Military schilling notes, namely, production of the issue and discussions with the Soviets in regard to exchange rate. The British have not desired to proceed in Moscow pending uniformity of US-UK views. It was also mentioned by Mr. Taylor that the British desire to replace Reichmark currency in Austria as soon as possible with Allied Military schillings. Psychological and economic warfare plans enter into the subject.

5. Mr. Taylor reported that the Treasury Department is well ahead of schedule in the production of both supplemental franc currency and Allied Military marks. Relative to the latter, 6,250,000 notes have been produced by 3 March 1944, whereas production had not been scheduled to commence until 12 March 1944.

6. Discussion of rate of exchange for the German mark was postponed, as State Department views are not yet definite. This subject is to be included on the agenda for the next meeting of the U. S. side of the committee. Meanwhile, Treasury Department is to be advised of other departments' view.

\* \* \* \* \*

(sgd) CHARLES C. HILLIARD,  
*Major, GSC.*

#### EXTRACT

MINUTES OF MEETING HELD IN MR. MCCLOY'S OFFICE, 24 MARCH 1944,  
AT 1100 HRS.

7 APRIL 1944.

(Meeting of U. S. members of ad hoc Committee on Financial  
Planning)

Present at meeting: Mr. McCloy; General Hilldring; Mr. Labouisse, State Department; Mr. Reinstein, State Department; Mr. Taylor, Treasury Department; Mr. Aarons, Treasury Department; Mr. Shepard, Bureau of the Budget; Mr. Angell, FEA; Mr. McGoldrick, FEA; General Carter, ASF; Lt. Col. Pforzheimer, BOWD; Major Patton, ASF; Lt. Comdr. Gluckstadt, Naval OAS; Lt. Comdr. Cottle, Naval OAS; Major Blewer, CAD; Major Hilliard, CAD.

\* \* \* \* \*

3. During the discussions on rates of exchange for currencies of the countries indicated below, the following points of special interest were considered:

a. Germany—Rates for the mark proposed within the Committee show a wide range, from 5 to 20¢. A State Department memorandum on the subject has been circulated to members of the committee. Mr. Angell said that FEA favors in principle a higher rather than a lower value initially for the mark. It is understood that British views now favor a mark rate of around 20¢. Russian opinion is not yet known. General Carter said that he is in agreement with the rate proposed by the Civil Affairs Division, WD, namely 12½¢.

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/sgd/ CHARLES C. HILLIARD,  
*Major, GSC.*

#### EXTRACT

MINUTES OF MEETING HELD IN MR. MCCLOY'S OFFICE, 8 APRIL 1944,  
AT 1030 HRS.

(Meeting of U. S. members of ad hoc Committee on Financial  
Planning)

Present at meeting: General Hilldring; Mr. Labouisse, State Department; Mr. Reinstein, State Department; Mr. Taylor, Treasury Department; Mr. Aarons, Treasury Department; Mr. Angell, FEA; General

Carter, ASF; Colonel Bookel, CAD; Colonel Webber, ASF; Lt. Col. Plorzhheimer, BOWD; Major Patton, ASF; Lt. Comdr. Gluckstadt, Naval OAS; Lt. Comdr. Cottle, Naval OAS; Major Blewer, CAD; Major Hilliard, CAD.

1. Rates of Exchange to set for currencies of the following countries were discussed. Mr. Taylor reported Treasury Department developments and views relative thereto. Points of special interest during the discussions are indicated below.

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7. Germany.—Mr. Taylor said that Mr. White will consult with the British before sounding out the Soviets in regard to rate for the mark. He suggested that a combined US-UK meeting of the Committee take place when British views are received from London. Meanwhile the British have mentioned a rate of 200 for the mark, apparently not based on economic factors. Soviet views are so far unknown. USSR may wish to set a high value for the mark in connection with subject of reparations. A separate rate for Austrian currency was not discussed.

2. In regard to production schedule for A. M. mark currency, the matter of supplying duplicate plates therefor to the Soviets is now before the Combined Chiefs of Staff. Mr. Taylor pointed out the desirability of keeping private currency printing plants now working under Treasury contract continuously supplied with orders. Other wise serious problems arise in regard to laying off of technicians and skilled labor. It is premature to make a decision regarding duplication of the present order for A. M. marks. If German currency printing plants are bombed, it may be well to have completed here a reserve of A. M. mark notes in addition to the initial order therefor. The Bureau of Engraving and Printing, Treasury Department, is now turning out about 8 million A. M. mark notes per day.

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8. Mr. Taylor raised the subject of control of exchange dealings of Army and Navy personnel in the North African and other Theatres, especially with regard to blue seal and yellow seal dollar operations in black markets. He mentioned that soldiers who are paid up to date in dollars before embarkation, take dollars into the area. Seamen bringing dollars into the theatres are reported to be one of the principal factors in the situation. The Treasury Department is anxious to avoid Army and Navy Personnel acting as a channel for breaking exchange regulations and would like to get remittance procedure from the theatre tightened up accordingly. Major Patton pointed out that as an anti-inflation measure Army personnel is encouraged to remit funds home rather than spend locally. General Willading mentioned the excellent accomplishments of the Army's voluntary remittance procedure. Mr. Taylor said the Treasury Department has no quarrel with the Army on past performance, but is looking ahead as areas occupied increase. Mr. Taylor asked Army consideration of the possibility of working out a system whereby a soldier cannot remit more than he has drawn through Army channels. General Carter said that the whole subject of remittance procedure

is under continuous study by the Army. Mr. Taylor's remarks were noted in connection with such study.

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(Sgd) CHARLES C. HILLARD,  
Major, GSO.

### EXTRACT

MINUTES OF MEETING HELD IN Mr. McCLOY'S OFFICE, 25 APRIL 1944  
AT 1030 HOURS

(Meeting of U. S. side of ad hoc Committee on Financial Planning)

Present at meeting: Mr. McCloy; General Hildring; Mr. Labouisse, State Department; Mr. Reinstein, State Department; Mr. Taylor, Treasury Department; Mr. Aarons, Treasury Department; Mr. Harrison, OSW; Mr. Angell, FEA; Colonel Chandler, CAD; Colonel Webster, ASF; Lt. Col. Gerhardt, OASW; Lt. Comdr. Gluckstadt, Naval OAS; Major Blower, CAD; Major Hilliard, CAD.

1. Concerning rates of exchange to be set for currencies of North-western European countries, no special developments since the last meeting of the committee were reported, except in regard to rate for the German mark. Mr. Taylor stated that British views from London relative to the mark rate have not been received since the recent opening of conversations by the Treasury Department with the U. K. Treasury representative here on this subject; also that during such conversations the British have been informed that U. S. opinion is in favor of a rate of from  $5\frac{1}{2}$  to  $10\frac{1}{2}$  or up to  $15\frac{1}{2}$  or more, for the German mark. He also reported that Treasury conversations on this subject have begun with Soviet officials in Washington. The U. S. S. R. had apparently not expected to discuss a mark rate for the period of military operations, during which they envisage no special need for a rate of exchange, but for a posthostilities period. Mr. Taylor said that Soviet approach to such matters is apparently very different from that of US-UK authorities. The Soviets have shown no interest in a supply of A. M. marks for the initial period and have asked what the US-UK authorities expect to do with proposed records regarding use of A. M. marks at that time. The Soviets have objected to the word "liability" in connection with the use of A. M. marks and have asked if this means liability for redemption for A. M. mark currency by the Allies. On the other hand, the Soviets are apparently agreeable to interchangeability within the area of Allied (US-UK and U. S. S. R.) Military marks and regular German mark currency without distinction. Mr. Taylor said that Soviet officials here had stated that the subject of exchange rate for the German mark would have to be considered in Moscow by the Commissariat for Finance, the Commissariat for Foreign Affairs, and by the State Bank.

\*       \*       \*       \*       \*       \*

4. Mr. Taylor referred to the committee a U. S. Treasury Department recommendation to proceed with a further order for AM marks equal to one-half of the initial order of ten billion marks, face value, as soon as the initial order is completed. Mr. Taylor stated that the initial order consists of 349,500,000 notes at a cost of approximately

\$560,000.00. Thus, the additional order proposed would cost about \$280,000.00. Amounts already budgeted by the War Department would cover the U. S. half of this order, i. e., approximately \$140,000.00. It was decided after considering various factors including the delay now being experienced in London in the preparation of A. M. schillings for Austria, that it would be prudent to concur in the above mentioned recommendation. Mr. McCloy accordingly gave a go ahead signal, subject to U. K. concurrence, prior to the placing of the order with the U. S. Treasury Department. In connection with plans for the future production of A. M. marks, Mr. Taylor said that the Treasury Department foresees no interruption in production schedules for military currencies at the Forbes Lithograph Manufacturing Company. Accordingly, completion of the initial order above referred to is expected about 15 May 1944.

CHARLES C. HILLIARD,  
Major, GSC.

# DIRECTIVE FOR MILITARY GOVERNMENT IN GERMANY PRIOR TO DEFEAT OR SURRENDER

C. C. A. C. 69/7

Copy No. 15  
1226

21 May 1944

CCAC 69 Series

## COMBINED CIVIL AFFAIRS COMMITTEE

### *Note by the Secretaries*

1. The Combined Chiefs of Staff by informal action approved the Basic and Political Directive for Germany in C. C. S. 551, the text of which is identical with C. C. A. C. 69/5. The Supreme Commander, Allied Expeditionary Force, has been informed by the Chiefs of Staff that at a later date he would be furnished guidance on financial matters (paragraph 7 of C. C. S. 551).

2. It is recommended that the Enclosure designated as Appendix (C) to C. C. A. C. 69/5, if approved by the C. C. A. C., be submitted to the Combined Chiefs of Staff with a recommendation that it be approved by the C. C. S. and dispatched to the Supreme Commander, Allied Expeditionary Force.

T. E. H. BIRLEY,  
W. M. CAMERON,  
Combined Secretariat.

### APPENDIX "C"

#### FINANCIAL GUIDE FOR GERMANY

1. United States, British, and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will

be interchangeable at a rate of — Allied Military Mark for — Reichsmark. Records will be kept of the amounts of the German marks used by the forces of each nation. Reichskreditkassenscheine and other German Military currency will not be legal tender in Germany.

2. In the event, however, that for any reason adequate supplies of Allied Military marks and/or Reichsmarks are not available, the United States forces will use yellow seal dollars and regular United States coins and the British forces will use British Military authority notes and regular British coins. Records will be kept of the amounts of currencies used by the United States and British forces.

3. If it is found necessary to use U. S. yellow-seal dollars and BMA notes, the following provisions will apply to such use:

a. The rate of exchange between the U. S. yellow-seal dollar and the BMA note will be — dollars to one pound, and the two currencies will be interchangeable at that rate. The United States Treasury will make the necessary arrangements with the British Treasury.

b. You will issue a proclamation, if necessary, requiring all persons to accept U. S. yellow-seal dollars and BMA notes at the decreed rates. Transactions at any other rates will be prohibited.

c. The issuance of yellow-seal dollars and BMA notes will cease as soon as Allied Military mark and/or Reichsmark currency are available.

d. U. S. yellow-seal dollars and BMA notes will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

e. Records will be kept of the amounts of such currencies used by the United States, British, and other Allied forces.

4. The rate of exchange to be decreed on your entry into the area will be — marks to the dollar and — marks to the pound sterling. Transactions at any other rates will be prohibited. Holders of mark currency or deposits will not be entitled to purchase foreign exchange without special permission. They will obtain dollars or pounds, or any other foreign currency or foreign-exchange credits, only in accordance with exchange regulations issued by you.

5. The Financial Division of the Civil Affairs Section for Germany will include in its functions the control of all funds to be used by the Allied military forces within the area, except yellow-seal dollars and BMA notes which will be under the control of U. S. and British forces respectively. It will maintain all the accounts and records necessary to indicate the supply, control, and movement of these currencies including yellow-seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied military forces.

a. Insofar as operations relate to the provisions of currencies for the pay and other cash requirements of military components of the Allied forces, the Financial Division will supply Allied military marks from currency on hand and will record the debit against the military force concerned.

b. Insofar as operations relate to the provision of currencies

for civil administration, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the Allied Military Government.

c. If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof, or any other bank satisfactory to you, as agent for the Financial Division of Civil Affairs Sections. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business, and, if necessary, by making credits available, place such bank or banks in a position to finance other banks and branches thereof, for the conduct of their business as approved by the Allied military authorities.

d. The records of the Financial Division of the Civil Affairs Section for Germany will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

6. Upon occupying the area, you will take the following steps:

a. Close all banks and financial institutions and place them under military custody or under such custody as you deem appropriate.

b. When effective banking facilities are not available, you may make such loans as you deem necessary. These will be restricted to mark loans.

c. Declare a general moratorium.

d. Pending determination of future disposition, and in accordance with paragraph . below, you will impound or block all deposits, accounts, credits, valuable papers, and all similar assets held in financial institutions.

e. Seal all vaults and safety-deposit boxes.

f. Obtain an inventory of the assets and liabilities of the banks as quickly as practicable.

g. Close all Stock Exchanges and similar institutions.

h. Close all insurance companies pending establishment of satisfactory controls and determination of the conditions under which they may operate.

7. Banks should be reopened as soon as you deem such action practicable and desirable. Before banks are reopened, it should be made possible for them to arrange loans from banks or agencies which you will designate. The lending bank or agency may require as collateral any or all of the assets of the borrowing bank or of the directors thereof, and may accept, as collateral, obligations of the national government or of its subdivisions. No bank, or branch thereof, will be permitted to reopen, except under the following conditions:

a. Appropriate measures will be taken to insure that the bank is satisfactorily under the control of the Allied Military Authorities.

b. All deposits and accounts with banks and financial institutions will remain blocked subject to your control except that provision will be made for limited withdrawals for necessary living expenses to avoid personal hardship and to permit essential business enterprises to carry on authorized operations. You may

make such further exceptions with respect to deposits and accounts created after the banks are reopened as you deem desirable, and as are not inconsistent with any measure adopted by you in paragraph 10 below.

c. Pending determination of future disposition, all gold, foreign currencies, foreign securities, accounts in financial institutions, credits, valuable papers, and all similar assets held by or on behalf of the following, will be specially impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof, and their nationals.

(3) Absentee owners and holders, including Neutral and United Nations Governments.

(4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials, leading members, and leading supporters thereof.

(5) Persons under detention or other types of custody by Allied Military Authorities.

d. Access to safe-deposit boxes or vaults will be allowed only after a proper system of supervision has been instituted. Gold, foreign securities, and foreign currencies will be withheld from the owner against accredited receipt. Other valuable items may be similarly treated.

e. No governmental or private bank or agency will be authorized to issue bank notes or currency except that, if found practicable and desirable, you may so authorize the Reichsbank and the Rentenbank when they are under adequate military control and supervision.

8. All foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited except as permitted under such regulations as you may issue relative thereto. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts, but if yellow-seal dollars and BMS notes are legal tender, they may be accepted at the decreed rate of exchange and will be turned in as directed by you in exchange for mark currency at the decreed rate of exchange.

9. Non-yellow-seal U. S. dollar notes and regular British pound notes will not be legal tender. No person, agency, or bank engaged in the exchange of money will acquire or otherwise deal in these notes except as you may so authorize. U. S. Army and Navy Finance Officers and British Paymasters will, however, be authorized to accept non-yellow-seal U. S. dollar notes and regular British pound notes from United States and British military or authorized personnel for conversion into Allied Military mark or Reichsmark currency at the decreed rate of exchange, after satisfying themselves as to the source of the notes.

As soon as you deem available banking facilities to be adequate, you will issue a proclamation requiring all holders of non-yellow-seal U. S. dollar notes and regular British pound notes to deposit their holdings

of such notes with designated banking institutions or agencies against accredited receipts, the subsequent disposition of such deposits to be a matter for later policy determination. If it is found necessary and practicable you may take similar measures with respect to other foreign currencies.

10. If you deem it necessary as a measure of inflation control, you may issue a proclamation requiring all holders of outstanding Reichsmark notes of high denomination to deposit such notes within a designated period with authorized banking institutions. Such deposits will be subject to such regulations as you may prescribe.

11. All bona fide government pensions, allowances, and social security payments will continue to be paid, but steps will be taken as soon as practicable for a study of pensioners' records with a view to nullifying all unnecessary and undesirable pensions and bonuses of Nazi inception.

12. Postal Savings Deposits will be treated on equal basis with ordinary deposits in private banks.

13. The railways; postal, telegraph, and telephone service; radio; and all government monopolies will be placed under your control and their revenues made available to the military government.

14. You will, consistent with international custom and usage, maintain existing tax laws, except that discriminatory taxes introduced under the Nazi regime will be abolished. Prompt action should be taken to maintain the inflow of revenue at the highest possible level. Taxes or other revenues will not be used for the payment of principal or interest on government obligations without prior approval of the Combined Chiefs of Staff.

MINUTES OF MEETING HELD IN MR. McCLOY'S OFFICE 22 MAY 1944 AT 1430 HRS.

#### EXTRACT

#### *Draft*

(Meeting of U. S. side of ad hoc Committee on Financial Planning)

Present at meeting: Mr. McCloy; General Hilldring; Mr. Labouisse, State Department; Mr. Reinstein, State Department; Mr. Aarons, Treasury Department; Mr. Harrison, OSW; Mr. Sheperd, Bureau of Budget; Mr. Rosenberg, FEA; Colonel Chanler, CAD; Colonel Webber, ASF; Lt. Col. Gerhardt, OASW; Lt. Col. Hilliard, CAD; Lt. Comdr. Gluckstadt, Naval OAS; Major Patton, ASF; Major Blewer, CAD.

1. Regarding exchange rate for the German mark to be decreed by the Supreme Commander, AEF, Mr. Aarons reported that no agreement thereon has been reached with the British by the Treasury Department and that definite USSR views on this subject are still lacking. There also remains a wide divergence of opinion on the U. S. side regarding this rate, within a range of from 5¢ to 16½¢ to the mark. Mr. McCloy expressed War Department anxiety relative to this situation and pointed out that without agreement in time between State and Treasury Departments on the U. S. side, and without agreement between U. S., U. K. and USSR through Treasury negotiations, the

rate will have to be set by the military authorities, i.e., with the War Department taking the necessary U. S. action relative thereto. Mr. Aarons said that he would communicate the substance of the Committee discussions on this subject to Mr. White.

\* \* \* \* \*

(sgd) CHARLES C. HILLIARD,  
Lt. Col., GSC.

#### SHIPMENT OF ODD LOTS OF CURRENCY

From: Supreme Headquarters, Allied Expeditionary Forces, London, England.

To: War Department.

Nr: S 53836.

14 JUNE 1944.

S-53836 AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hilldring and British Chiefs of Staff signed Eisenhower reference your GOV 58 this is VOG 67.

It is satisfactory to us for you to ship odd lots of marks left over, provided boxes are distinctly marked to prevent confusion with regular boxes. End.

Action: CCAC.

Information: CC/S.

ASF.

OPD.

CAD.

Adm. King.

Mr. McCloy.

Budget Division.

MINUTES OF MEETING HELD IN MR. MCCLOY'S OFFICE 20 JUNE 1944  
AT 1000 HOURS

#### EXTRACT

(Meeting of U. S. members of ad hoc Committee on Financial Planning)

Present at meeting: Mr. McCloy; General Hilldring; Mr. Labouisse, State Dept.; Mr. Luthringer, State Dept.; Mr. Glasser, Treasury Dept.; Mr. Harrison, OSW; Mr. Shepard, Bureau of Budget; Mr. Angell, FEA; Colonel Chanler, CAD; Colonel Webber, ASF; Lt. Col. Garhardt, OASW; Lt. Col. Pforzheimer, BOWD; Lt. Col. Hilliard, CAD; Lt. Comdr. Gluckstadt, Naval OAS; Major Patton, ASF; Major Blewer, CAD.

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2. In regard to rate of exchange for the German mark, Mr. Glasser said that the Treasury Department has had further conversations with State Department. He mentioned Treasury Department range for this rate as being 5 to 8, 9 or 10 cents and State Department range as 12 to 18 cents and added that the Treasury Department wants a rate which the Germans can hold and which will convince the Germans that they can hold it; also that the Treasury Department con-

siders existing imponderables to be such as to prevent determining a specific rate. Mr. Angell commented that a rate is needed which will avoid financial and economic collapse in Germany; also that imponderables can be considered to better advantages after, rather than before entering the area. Mr. Harrison called attention to the bad effect of uncertainty regarding rate of exchange on the population of a country; also to the aid to Germany export trade to South America which would result initially in case the German mark exchange rate should represent undervaluation of the mark. Mr. McCloy referred again to the War Department position in this matter. He requested that the Treasury and State Departments get together and agree upon a rate, within limits such as not to effect unfavorably the morale of troops, and the Treasury Department then follow up this subject to reach an agreement on rate with the British Treasury. General Hildring mentioned that such agreement would have to be followed by US-UK agreement with the Soviets. Mr. McCloy said that otherwise as previously mentioned, it might be necessary for the War Department to take the action in this matter in spite of its desire not to do so.

3. Mr. Glasser said that it had been agreed in a meeting between Treasury and State Departments that the same rate would be established for the Austrian schilling as for the Germany mark.

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(sgd) CHARLES C. HILLIARD,  
*Lt. Colonel, GSC.*

#### PROBLEM OF EFFECTING CURRENCY EXCHANGES FOR TROOPS

##### PRIORITY

From: CG, U. S. Army Forces in European Theater of Operations,  
London, England

To: War Department

No: E-56859.

2 JULY 1944.

For SPFD from Cobbs SOSFD, signed Eisenhower, E-35859.

Problem of effecting currency exchanges for troops shipped direct to continent from the United States. Suggested alternatives are as follows:

1. Provision for currency exchanges after arrival at port, either prior to or after debarkation.

G-4 SHAEF states that conditions at ports will not allow time for currency exchange, as troops will move directly from ships to trains or motor transport and movement and transportation considerations will not allow any interference or delay.

After movement of troops and various detached personnel from ports it will be impossible to assure conversion of all dollar funds.

2. Provision for currency exchanges prior to or after embarkation but before sailing. This has following objections:

(A) Security consideration.

(B) Some personnel may be removed from ship roster after their currency has been exchanged.

(C) Necessity to provide the various local currencies out of supplies already here, in transit or scheduled to be shipped here.

3. Provision for currency exchanges on ships in transit. This has following objections:

(A) Necessity for agent officer on each ship.

(B) Same as 2 C.

Necessary that immediate decision be made in order that preliminary action be taken to effect plan. If alternative 2 or 3 is adopted, immediate steps will be necessary to provide shipment to United States of French francs and other currencies here unless decision is reached to print additional amounts in the United States for this purpose.

Urgently recommend adoption of either 2nd or 3rd paragraphs. End.

Action: Gen. Somervell.

Info: OPD.

Budget Div.

#### PROBLEM OF RESHIPMENT OF FRANCS TO U. S.

5 JULY 1944.

COMMANDING GENERAL, USAF,

*European Theater of Operations, London, England.*

Number WAR 61561.

For Cobbs SOSFD from Carter, Fiscal Director, SPFDF.

Formidable difficulties are foreseen in carrying out either 2nd or 3rd alternatives outlined in your E-35859 dated July 2nd, especially as they necessitate reshipment to US of large and uncertain amounts of supplemental francs with attendant complications as to disposition and accountability. All franc currency produced here has already been shipped; printing of addition franc currency would require request from SHAEF and approval of Combined Chiefs of Staff and in any case would involve considerable delay. Recommend you consider practicability of adapting exchange procedures established for troops proceeding to North Africa Theater of Operations as outlined in Par. 13E Cir, 130 WD 1943. Although exchange of US currency taken up by organization commanders on transports may not be feasible at continental debarkation ports for reasons you state it should be possible for finance personnel to effect exchange at first staging area.

If you decide this method not practicable suggest alternatively you consider returning to US prior to first direct continental convoy officers designated as class "B" agents of debarkation port finance officers bringing with them amounts of francs based on expected troop capacity of next continental convoy as ascertained at theater headquarters. These agent officers would be assigned to transports at Ports of Embarkation in US and effect exchanges for personnel aboard. On eastern trip, francs could be transferred on your side to agent officers using FD form 45 and on arrival at continental port agents would complete transactions using forms 45B and C and repeat process for next round-trip.

If you cannot spare personnel from their present assignments to act as agent officers on transports we will arrange to have pool finance personnel on this side initially appointed as class "B" agent of Port of Embarkation finance officers. In this case you should ship boxes of franc currency in amounts estimated as above and in denominations

not exceeding 100 francs in Finance Office, Brooklyn Port of Embarkation using cash transfer form 326. The agent officers would make exchanges for personnel aboard from francs initially supplied by Port of Embarkation Finance Officers. On arrival in theater dollars taken up by them could be exchanged with Port of Debarkation finance Officers for additional francs. In order to insure more direct accountability to Finance Officers supplying francs in theater, agents on transports might at your discretion be subsequently reassigned as class "B" agents of finance officers at continental Ports of Debarkation. End.

Originator: General Somervell.

Information: General Somervell (for Trans and and Pl-Op)  
OPD.

-General Hilldring.

General Richards.

MINUTES OF MEETING HELD IN MR. McCLOY'S OFFICE 20 JULY 1944  
AT 1000 HOURS

EXTRACT

(Combined US-UK meeting of ad hoc Committee on Financial Planning)

Present at meeting: Mr. McCloy; General Hilldring; Mr. McLean, British Embassy; Lt. Col. Hawkins, BJSM; Mr. Crowe, British Treasury; Mr. Lee, British Treasury; Mr. Reinstein, State Dept.; Mr. Glasser, Treasury Dept.; Mr. Tomlinson, Treasury Dept.; Mr. Angell, FEA; Colonel Gerhardt, OASW; Colonel Chanler, CAD; Colonel Bean, ASF; Captain Sabin, Naval MGS; Lt. Col. Pforzheimer, BOWD; Lt. Col. Hilliard, CAD; Commander Knipe, Naval Busanda; Lt. Comdr. Gluckstadt, Naval OAS; Major Patton, ASF; Major Blewer, CAD; Capt. Fisher, OASW.

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2. Mr. Glasser said that Mr. White's discussions with the British at Bretton Woods had confirmed the fact of a wide divergence between U. S. and U. K. views on the subject of exchange rate to be decreed by SCAEF for the German mark. He stated that Mr. White had proposed an initial rate of 10¢ to the British, who had made a counterproposal of 16 $\frac{2}{3}$ ¢ to 20¢; also that, lacking an agreement, Mr. White had proposed to the British that no general exchange rate for the mark be set until after Allied entry into Germany, but that meanwhile an exchange rate would be decreed only for troop pay and other strictly military purposes. Mr. Glasser said that the British had cabled London on the subject and that London had liked the idea of no general rate initially. Mr. McCloy said that Mr. Brand of the British Treasury delegation in Washington had talked with him here on the subject with emphasis on a 20¢ rate.

Mr. Glasser said that the U. S. Treasury has been considering favorably the idea of Allied entry into the area with no general rate for the mark, but with a rate for military purposes of 40 cents, i. e., approximately the prewar official rate for the mark, with an adjust-

ment to be made later in soldiers' and sailors' accounts. Colonel Bean called attention to the difficulties which adjustments due to such a basis would cause, including the need for a conversion rate for troop pocket money prior to entry into Germany; also to the fact that the General Accounting Office would not let vouchers ride until a rate is set. With a mark rate of 40¢, it would be necessary to debit War Department appropriations at that rate for expenditures normally chargeable thereto. With the mark thus overvalued, War Department appropriations would be drawn down accordingly and there would be a larger amount of dollars placed into the special account with the Treasury Department on account of military expenditures in Germany. General Hildring pointed out the necessity for a rate for paying troops every 30 days and raised the question of the pricing of goods moving in and out of Germany. Mr. Angell mentioned the importance of the effect of lack of a general rate of exchange on German psychology and on the economic machinery of the country, including the maintenance of existing price and rationing control systems.

Mr. Reinstein raised the question of what exchange rate would be established by the French for conversion of marks held by returning French laborers and prisoners of war. It is understood that the French contemplate preferential treatment in this regard as well as with respect to mark conversion in Alsace Lorraine. Commander Knipe pointed out that problems such as currency conversion for French prisoners by French authorities are not important factors with respect to the rate to be decreed by SCAEF. Mr. Reinstein expressed concern in regard to the number of governments which would enter into discussion on the subject of the German mark exchange rate if action in the matter were postponed until after Allied entry into Germany. He said that he would take up the subject for further study in the State Department.

Mr. Glasser said that in spite of repeated requests of the U. S. Treasury, U. S. S. R. authorities in Washington have not yet indicated Soviet views regarding exchange rate for the mark. Mr. McCloy commented that this subject can hardly be decided without such views. It was agreed at Mr. McCloy's suggestion that Mr. Harriman be requested by the State Department to take up this subject with Soviet authorities in Moscow as a matter of urgency. Mr. Glasser said that Mr. White had discussed the U. S. S. R. position with the British at Bretton Woods and that the British might also be taking up the subject in Moscow.

In conclusion, Mr. Glasser suggested that the directive to SCAEF from CCS should contain no general exchange rate for the mark, but that a rate of say 15 cents be included therein for Army and Navy purposes only. Mr. McCloy expressed the opinion of the meeting that lack of a general rate initially might be practicable, but he again pointed out that the military authorities are sensitive to unrest among the population of an occupied area and that it would be essential to move quickly in establishing a general rate for the mark.

3. Colonel Bean called attention to the desirability from the standpoint of Army disbursements and accounting of setting a mark exchange rate in cents without fractions. Mr. Glasser said that the Treasury Department would try to make such desired arrangement,

but it was pointed out that Northwest European currencies are as a rule pegged to sterling and not to the dollar, and that exchange rates in round figures cannot be assured. In this connection Colonel Bean recommended that U. S. Army transactions in French francs be figured at 2 cents and not at the rate of 2.0175 cents, and that resulting loss be charged off as an exchange loss by the Army, as being cheaper than added cost of labor and supplies involved in applying a fractional cent rate for the French franc.

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/sgd/ CHARLES C. HILLIARD,  
Lt. Colonel, GSC.

#### ACKNOWLEDGMENT REQUESTED ON SHIPMENT OF MARKS

Combined Chiefs of Staff Combined  
Civil Affairs Committee  
By: Operations Div. WDGS,  
European Section WDOPD  
Capt. Conger (4567) OPD  
311.23 CAD

29 JULY 1944.

SUPREME HEADQUARTERS,

*Allied Expeditionary Force, London, England.*

Number: WAR 73113.

GOV 86 to Eisenhower for SHGE from CCS cite CCAC repeated information CCAC/L.

Special currency. Marked as indicated in GOV 7, 420 boxes Allied Military mark currency were loaded on NY 80. Shipment consists of 78 boxes 1/2 mark, 47 boxes 1 mark, 5 boxes 5 marks, 242 boxes 10 marks, 18 boxes 20 marks, 30 boxes 100 marks. Receipt of shipment requested via radio. Cargo security officer in possession of schedule by box number, denomination, and serial number with instructions to deliver to officer receipting for shipment at destination. Official schedule being forwarded by air mail in duplicate.

End.

Originator: CCAC.

Information: ASF.

Gen. McFarland CC/S.

OPD.

G-2.

Mr. McCloy.

Adm. King.

Budg. Div.

C. C. A. C. (L)/P(44)24.

31st JULY, 1944.

## BASIC ACCOUNTING GUIDE FOR GERMANY

COMBINED CIVIL AFFAIRS COMMITTEE (LONDON)

*(Supplemental to financial guide contained in directive on civil affairs from C. C. S. to S. C. A. E. F.)*

(Memorandum by the U. S. members)

1. At Appendix A is the form and substance of a proposed letter of guidance with a basic accounting guide to supplement the financial guide contained in the directive on the administration of civil affairs in Germany from the Combined Chiefs of Staff (C. C. S.) to the Supreme Commander, Allied Expeditionary Force (S. C. A. E. F.) (C. C. S. 551/2).

2. It is recommended that the London Sub-Committee of the Combined Civil Affairs Committee approve and transmit the proposed letter of guidance with its enclosure to S. C. A. E. F.

*Appendix A to C. C. A. C. (L)/P (44) 24.*

LETTER OF GUIDANCE TO SUPREME COMMANDER, ALLIED EXPEDITIONARY FORCE, IN AMPLIFICATION OF BASIC CIVIL AFFAIRS DIRECTIVES

(Basic accounting guide)

1. Under the provisions of paragraph 5, C. C. A. C. Charter, there is attached to this letter of guidance a basic accounting guide for Germany.

2. This letter of guidance and its enclosure is furnished for your consideration and for such action as you may deem desirable in the application of the basic civil affairs directive for Germany and of other directives relating thereto as you have received or may receive insofar as they pertain to financial accounting.

Enclosure

## BASIC ACCOUNTING GUIDE

(Supplemental to "APPENDIX C-FINANCIAL" of directive on civil affairs for Germany from C. C. S. to S. C. A. E. F.)

1. The Financial Division, Civil Affairs Section for Germany, should be so organized as to provide for—

- (a) centralized control of accounts and records of the Civil Affairs Section;
- (b) uniformity of accounting policies and procedures for the Civil Affairs Section;
- (c) appropriate subdivision of major financial functions in such manner as to assure reasonable internal controls and safeguards, including the separation of accounting controls from the function of handling cash.

2. The Civil Affairs Section should, insofar as practicable, incorporate in its procedures standards of personal accountability and personal responsibility equivalent to those applicable to U. S. and British military forces.

3. You should keep appropriate centralized records of all A. M. marks made available to you by the U. K. Treasury, the U. S. Treasury, or from other sources, for either military or civil affairs purposes. The amounts which you so receive should be currently reported to the British War Office and the United States War Department, which will in turn report, respectively, to the British or U. S. Treasury. All A. M. marks required in the area by Allied forces, either for military or civil affairs purposes, should be obtained from the Financial Division, Civil Affairs Section for Germany, and appropriate centralized records pertaining thereto should be kept.

4. A. M. marks advanced by the Financial Division of the Civil Affairs Section for Germany to U. S. disbursing officers or British paymasters should be evidenced by receipts. In respect to each advance, the Civil Affairs Section for Germany should report the details thereof to the U. S. War or Navy Department or the British War Office, as the case may be, which in turn will report to the Treasury concerned. In addition, each disbursing officer or paymaster recipient should submit an independent report of the amount received by him to the U. S. War or Navy Department or the British War Office, as the case may be. Reports to the U. S. War and Navy Departments should be made by radio.

5. The Financial Division of the Civil Affairs Section for Germany should keep careful records by values and dates of the A. M. marks advanced to—

- (a) U. S. military forces;
- (b) British military forces;
- (c) other Allied military forces (by country);
- (d) civil affairs officers;
- (e) Allied Military Government;
- (f) Allied governmental agencies.

Receipts should be required from all officers or organizations receiving advances of A. M. marks from the Civil Affairs Section for Germany.

The Financial Division of the Civil Affairs Section for Germany should also maintain records as to the source and disposition of any funds, currencies, or financial assets acquired or confiscated by the Allied military forces from any source within the area except from prisoners of war.

6. The U. S. military forces should, when they obtain A. M. marks from the Civil Affairs Section for Germany for such of their expenditures in the area as would normally be charged to their appropriations, set aside in earmarked accounts, with the U. S. Treasury Department, the dollar equivalent at the decreed rate of exchange and the relevant U. S. appropriations will thereupon be debited accordingly. The U. K. War Office will deal in like manner with similar expenditures.

7. Expenditures in the area by Allied military forces, other than the Allied military expenditures outlined in paragraph 6 above, should be effected without specific dollar or pound sterling equivalent payments into earmarked accounts.

8. Control accounts of the Civil Affairs Section for Germany should be maintained in terms of A. M. marks. If currencies other than A. M. marks are involved, they should be recorded in terms of A. M. marks at the official rate of exchange, but the accounting records should provide for identification and segregation of all such currencies.

9. If it is found necessary to use U. S. yellow seal dollars and B. M. A. notes, the following provisions should apply to such use:

(a) any transfer of U. S. yellow seal currency from U. S. Army or Navy to British Army account, or from the Financial Division, Civil Affairs Section for Germany, to British Army, or U. S. Army or Navy account, should be identified in the accounting records in terms of U. S. yellow seal dollars;

(b) the U. S. military forces should account for B. M. A. notes in the same manner as they account for all U. S. yellow seal dollars;

(c) the British forces follow comparable procedure in regard to transfers of B. M. A. notes and the accounting for U. S. yellow seal dollars.

10. To supplement basic accounting records of the Financial Division, Civil Affairs Section for Germany, relative to civil affairs operations, in such manner as to provide over-all data of an essential nature pertinent to intergovernmental settlement of costs arising out of operations and activities within the area involving the participation of Allied forces, you should require appropriate headquarters and other components of Allied forces to furnish the Financial Division, Civil Affairs Section for Germany, with periodic, preferably monthly, summary reports of available information pertaining to their expenditures in the area for military, as distinguished from civil affairs purposes, including their expenditures on account of—

(a) pay of troops, i. e., that portion of pay retained by personnel of Allied forces for local expenditure;

(b) services and supplies obtained within the area.

11. Provision should be made, within the framework of the Civil Affairs Section for Germany, for a continuing and current audit to the extent practicable, of accounts, funds, assets, and supporting evidence by personnel who should be independent of the personnel responsible for the receipt, disbursement, or custody of funds, supplies, assets, accounts, and supporting evidence. As soon as you deem the following action practicable, it is intended to provide for a further audit of the accounts of the Civil Affairs Section for Germany by an agency outside of the Civil Affairs Section and of completely independent status. This agency and the extent of such outside independent audit will be designated by the Combined Chiefs of Staff.

12. As soon as practicable, you should furnish the Treasury and War Departments of the United States and the Treasury and War Office of the United Kingdom, and such representatives of other Governments as may be designated by the Combined Chiefs of Staff, with the following—

(a) periodic, preferably monthly, balance sheets of the Financial Division, Civil Affairs Section for Germany, and such supporting schedules as may be appropriate;

- (b) statements of receipts and advances of funds, classifying the receipts as fully as practicable according to—
  - (i) sources, i. e., from whom received; and
  - (ii) type of currency;
- (c) the advances of funds according to—
  - (i) recipients;
  - (ii) character or purpose; and
  - (iii) type of currency;
- (d) currency statement showing amounts issued, redeemed, destroyed, and outstanding.

13. You will receive, as an addition to this guide, instructions or guidance relative to the accounting for civilian supplies coming under control of the Civil Affairs Section for Germany.

**DIRECTIVE ON MILITARY GOVERNMENT IN GERMANY PRIOR TO DEFEAT OR SURRENDER—FINANCIAL GUIDE**

*C. C. A. C. 69/10*

*8 August 1944*

**COMBINED CIVIL AFFAIRS COMMITTEE**

*Memorandum by the Director, Civil Affairs Division, War Department*

**STATEMENT OF THE PROBLEM**

1. To revise "Financial Guide," Appendix "C," C. C. A. C. 69/7, "Directive for Military Government in Germany prior to Defeat or Surrender," as approved by the Combined Chiefs of Staff and transmitted to General Eisenhower on 31 May 1944.

**DISCUSSION**

2. Subsequent to the transmission of the above directive to General Eisenhower, the U. S. Treasury Department requested of the Civil Affairs Division, War Department, that this directive be revised as a result of a reexamination and reconsideration by the U. S. Treasury Department of some of the basic premises involved, in the light of recent Allied experience in the Naples and Rome Areas. Specifically, the U. S. Treasury Department proposed that:

- (a) the closing of the banks and the declaration of a moratorium be made discretionary with the Military Commander rather than mandatory;
  - (b) no instructions be issued to block accounts in financial institutions except for certain specific classifications of such accounts;
  - (c) no instructions be issued to call in large denomination Reichsmark notes;
  - (d) no prohibition be issued against servicing the public debt.
- The U. S. Treasury recommends imposing only a minimum of new financial controls or regulations until it is possible to introduce a comprehensive anti-inflationary and control program, following an opportunity to observe and analyze the financial and economic fac-

tors inherent in Germany's postoccupation condition. It is the expressed opinion of the U. S. Treasury Department that such a comprehensive program cannot be practically placed into effect in the first few weeks, or more, of occupation and that it would be inadvisable to attempt such a program before adequate preparations and other conditions within the area are such as to insure its administrative feasibility. It should be noted that less administrative supervision by the Allied forces is required during the early military phase if U. S. Treasury proposals are adopted.

3. The views of the U. S. Treasury Department have been considered by the U. S. members of C. C. A. C. and a new draft Financial Guide for Germany (Enclosure "A") has been prepared which follows the recommendations of the U. S. Treasury Department. The British Treasury has been consulted through their representative in Washington on the long-term programme referred to in the paragraph above. While reserving their position pending the receipt of the U. S. Treasury's proposals relative thereto, they have signified their approval of this new draft directive.

#### CONCLUSION

4. That the enclosed draft Financial Guide for Germany (Enclosure "A"), incorporating the changes, proposed by the U. S. Treasury, should be approved.

#### RECOMMENDATION

5. That the Combined Civil Affairs Committee recommend to the Combined Chiefs of Staff that the revised Financial Guide for Germany (Enclosure "A") be approved and dispatched to General Eisenhower in substitution for "Financial Guide," Appendix "C," C. C. A. C. 69/7, "Directive for Military Government in Germany Prior to Defeat or Surrender," as approved by the Combined Chiefs of Staff and transmitted to General Eisenhower on 31 May 1944.

#### Enclosure "A"

#### FINANCIAL GUIDE FOR GERMANY

1. United States, British, and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at a rate of ——— Allied Military marks for ——— Reichsmark. Records will be kept of the amounts of the German marks used by the forces of each nation. Reichskreditkassenscheine and other German Military currency will not be legal tender in Germany.

2. In the event, however, that for any reason adequate supplies of Allied Military marks and/or Reichsmarks are not available, the United States forces will use yellow seal dollars and regular United States coins and the British forces will use British Military authority notes and regular British coins. Records will be kept of the amounts of currencies used by the United States and British forces.

3. If it is found necessary to use U. S. yellow seal dollars and BMA notes, the following provisions will apply to such use:

(a) The rate of exchange between the U. S. yellow seal dollar and the BMA notes will be ——— dollars to one pound, and the two currencies will be interchangeable at that rate. The United States Treasury will make the necessary arrangements with the British Treasury.

(b) You will issue a proclamation, if necessary, requiring all persons to accept U. S. yellow seal dollars and BMA notes at the decreed rates. Transactions at any other rates will be prohibited.

(c) The issuance of yellow seal dollars and BMA notes will cease and Allied Military mark and/or Reichsmark currency will be used in their place as soon as available.

(d) U. S. yellow seal dollars and BMA notes will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

(e) Records will be kept of the amounts of such currencies used by the United States, British and other Allied forces.

4. The rate of exchange to be decreed on your entry into the area will be ——— marks to the dollar and ——— marks to the pound sterling. Transactions at any other rates will be prohibited. Holders of mark currency or deposits will not be entitled to purchase foreign exchange without special permission. They will obtain dollars or pounds, or any other foreign currency or foreign exchange credits, only in accordance with exchange regulations issued by you.

5. The Financial Division of the Civil Affairs Section for Germany will include in its functions the control of all funds to be used by the Allied Military forces within the area, except yellow seal dollars and BMA notes which will be under the control of U. S. and British forces, respectively. It will maintain all the accounts and records necessary to indicate the supply, control, and movement of these currencies including yellow seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied Military forces.

(a) Insofar as operations relate to the provisions of currencies for the pay and other cash requirements of military components of the Allied forces, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the military force concerned.

(b) Insofar as operations relate to the provision of currencies for civil administration, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the Allied Military Government.

(c) If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof; or any other bank satisfactory to you, as agent for the Financial Division of Civil Affairs Sections. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business, and, if necessary, by making credits available, place such bank or banks in a position to finance other banks and branches thereof, for the

conduct of their business as approved by the Allied military authorities.

(d) The records of the Financial Division of the Civil Affairs Section established within the area will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

6. Upon entering the area, you will take the following steps and will put into effect only such further financial measures as you may deem to be necessary from a strictly military standpoint:

(a) You will declare a general or limited moratorium if you deem such measure to be necessary. In particular, it may prove desirable to prevent foreclosures of mortgages and the exercise of similar remedies by creditors against individuals and small business enterprises.

(b) Banks should be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided and to insure that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph (c) below. As soon as practicable, banks should be required to file reports listing assets, liabilities, and all accounts in excess of 25,000 marks.

(c) You will issue regulations prescribing the purposes for which credit may be extended and the terms and conditions governing the extension of credit. If banking facilities are not available you may establish such credits or make such loans as you deem necessary for essential economic activities. These will be restricted to mark credits and loans.

(d) You will close all stock exchanges and similar financial institutions.

(e) Pending determination of future disposition, all gold, foreign currencies, foreign securities, accounts in financial institutions, credits, valuable papers, and all similar assets held by or on behalf of the following will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof, and their Nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Germany under your control.

(4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials, leadings members, and supporters thereof.

(5) Persons under detention or other types of custody by Allied Military authorities and other persons whose activities are hostile to the interests of the military government.

(f) No governmental or private bank or agency will be authorized to issue banknotes or currency except that, if found practicable and desirable, you may so authorize the Reichsbank and the

Rentenbank when they are under adequate military control and supervision.

(g) You will issue immediately a proclamation prohibiting all transfers of or other dealings in real estate and securities, other than central government securities. You may, however, prohibit or limit dealings in central government securities, but only pending resumption of service on the public debt.

7. All dealings in gold and foreign exchange and all foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited except as permitted under such regulations as you may issue relative thereto. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts, but if yellow seal dollars and BMA notes are legal tender, they may be accepted at the decreed rate of exchange and will be turned in as directed by you in exchange for mark currency at the decreed rate of exchange.

8. Non-yellow-seal U. S. dollar notes and regular British pound notes will not be legal tender. No person, agency, or bank engaged in the exchange of money will acquire or otherwise deal in these notes except as you may so authorize. U. S. Army and Navy Finance Officers and British Paymasters may, however, be authorized to accept non-yellow-seal U. S. dollar notes and regular British pound notes from United States and British Military or authorized personnel for conversion into Allied Military mark or Reichsmark currency at the decreed rate of exchange, after satisfying themselves as to the source of the note.

9. All bona fide government pensions, allowances, and social security payments will continue to be paid, but steps will be taken as soon as practicable for a study of pensioners' records with a view to nullifying all unnecessary and undesirable pensions and bonuses of Nazi inception.

10. The railways, postal, telegraph, and telephone service, radio, and all government monopolies will be placed under your control and their revenues made available to the military government.

11. You will, consistent with international custom and usage, maintain existing tax laws, except that discriminatory taxes introduced under the Nazi regime will be abolished. Prompt action should be taken to maintain the inflow of revenue at the highest possible level. You will resume service on the public debt as soon as military and fiscal conditions permit.

#### PROPOSED AMENDMENT TO BASIC ACCOUNTING GUIDE

From: Supreme Headquarters, Allied Expeditionary Forces, London, England

To: War Department

Nr: S. 57748, 10 August, 1944, S. 57748 AGWAR for Marshall, personal, for Hilldring from Holmes, signed Eisenhower cite SHGE.

The subject is Basic Accounting Guide for Germany. As suggested by your memorandum 19 July current, US members submitted this guide to COAC/L recommending it be issued by the London subcommittee in form of a letter of guidance to SCAEF.

Proposed guide subsequently issued as London subcommittee paper number 24 on 31 July 1944. By informal action UK members state the

guide as contained in the paper referred to is acceptable subject to following amendments:

(1). With the exception of paragraph 8, wherever AM marks are mentioned throughout the Basic Guide there should be substituted "AM marks and Reichmarks."

(2). Paragraph 8 remains as at present with the addition of the following sentence at the end: "Such identification and segregation will not be required as between AM marks and Reichmarks."

It is understood these proposed amendments were discussed by United Kingdom Treasury with Mr. Taylor, US Treasury Representative here. Cannot obtain his comment due to temporary absence from London. Request instructions whether US members should accept the proposed amendments.

End.

Action: Gen. Hilldring  
Info: OPD

#### U. S. AGREES TO AMENDMENTS

Civil Affairs Division  
By: Operations Div, WDGS  
Eur Sec, WDOPD  
OPD 311.23 CAD (18 Aug. 44)  
Lt. Bruno—6198

18 AUGUST 1944.

SUPREME HEADQUARTERS,  
ALLIED EXPEDITIONARY FORCES,  
*London, England.*  
Number: WAR 83462

To Eisenhower for Holmes signed Marshall.

Interested United States agencies and departments concur in amendments to basic accounting guide for Germany, proposed by United Kingdom CCAC/L members, as outlined in S 57748 urad.

End.

Originator: CAD

Information: ASF Fisc, OPD, Bud Div, Mr. McCloy

#### SHIPMENT OF MARK CURRENCY

Combined Chiefs of Staff,  
Combined Civil Affairs Committee  
By: Operations Div., WDGS, Eur.  
Sec., WDOPD Capt Conger (4567)  
OPD 311.23 CAD, (18 Aug 44)

18 AUGUST 1944.

SUPREME HEADQUARTERS,  
ALLIED EXPEDITIONARY FORCES,  
*London, England*

Number: WAR 84005

GOV 91 to Eisenhower for SHGE repeated CCAC/L from CCS cite CCAC.

Allied military mark currency shipment. Official schedule in duplicate being forwarded by air-mail for shipment of 420 boxes allied military mark currency loaded on NY 182 marked as indicated in GOV 7. Shipment consists of 115 boxes one-half mark, 89 boxes one mark, 203 boxes five mark, 13 boxes twenty mark. Schedule by box number, denomination, and serial number in possession of cargo security officer with instructions to deliver to officer receipting for shipment at destination. Receipt of shipment requested via radio.

End.

Originator: CCAC

Information: ASF

CC/S

OPD

G-2

Mr. McCloy

Adm. King Budget Division

# REQUEST FOR ESTABLISHMENT OF RATE OF EXCHANGE

24 AUGUST 1944.

From: Supreme Headquarters Allied Expeditionary Forces, London, England.

To: War Department

Nr: S 58353

S 58353, from SHAEF, AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hilldring and British Chiefs of Staff repeat for information to AFHQ signed Eisenhower reference NAF 749 from AFHQ to CCS dated 29th July this is VOG 114.

It will be necessary for us to place in hands of AFHQ sufficient currency to cover initial requirements. We are telegraphing separately to AFHQ, repeated to you, asking for information concerning amount, date and so forth.

2. In order that we may meet requirements of AFHQ, it is essential that we should have, as soon as possible, final instructions as to currency to be used in initial phase.

3. You will observe that we have requested AFHQ to give us an estimate of their requirements in sterling or dollars. In order to translate such estimate into *marks* or *schillings* it will be necessary to assume some rate of exchange. Please indicate what rate it would be reasonable to use for this purpose, even if you are not yet prepared to direct what rate is to be used on the spot.

End.

ACTION: CCAC

INFO: CO/S, Gen. Somervell, Gen. Bissell, Budget Division, Adm. King, Mr. McCloy, OPD.

## RECOMMENDATION FOR USE OF TENTATIVE CONVERSION RATE FOR MARKS AND REICHMARKS

Combined Chiefs of Staff  
Combined Civil Affairs Comm.  
Capt Conger 4567

9 SEPTEMBER 1944.

SUPREME HEADQUARTERS, ALLIED EXPEDITIONARY FORCES, Main Echelon, London, England.

SUPREME HEADQUARTERS, ALLIED EXPEDITIONARY FORCES, Forward Echelon, France.

COMMANDING GENERAL, UNITED KINGDOM BASE SECTION, London, England.

HEADQUARTERS, COMMUNICATIONS ZONE, EUROPEAN THEATER OF OPERATIONS, U. S. Army, France.

Number: WARX 28060

GOV 110 to SHAEF Main for SHGE from CCS cite CCAC repeated information CCAC/L. SHAEF forward for SHGE, Communication Zone, and UK Base Section for BCS.

Exchange rate for German mark currency. Consideration is now being given by CCS, reference VOGS 114 and 128, to exchange rate for German mark. Pending directive from CCS, it is important for Fiscal Director ETOUSA, if emergency arises, to be guided by information contained in Para 3 of VOG 128, namely, to use tentatively a conversion rate for Allied military marks and Reichsmarks of 10 marks to the dollar, with no publicity on subject.

End.

ORIGINATOR: CCAC

INFORMATION: Gen Somervell, CC/S, OPD, Gen Bissell, Gen Richards, Adm King, Mr McCloy

## SHIPMENT OF ALLIED MILITARY MARK CURRENCY

Combined Chiefs of Staff  
Combined Civil Affairs Committee  
Capt Conger 4567

4 SEPTEMBER 1944.

SUPREME HEADQUARTERS,  
ALLIED EXPEDITIONARY FORCES,  
*Main Echelon, London, England.*

Number: WAR 25792

GOV 104 from CCS cite CCAC to SHAEF Main for SHGE repeated information CCAC/L

Allied military mark currency shipment. Marked as indicated in GOV 7, 420 boxes allied military mark currency were loaded on NY 282. Receipt of shipment requested via radio. Shipment consists of 37 boxes of 1/2 marks, 201 boxes of 1 marks, and 182 boxes of 5 marks. Cargo security officer in possession of schedule by box number, denomination, and serial number with instructions to deliver to officer

receipting for shipment at destination. Official schedule being forwarded by air mail in duplicate.

End.

Originator: CCAC  
Information: ASF-CG  
CC/S  
OPD  
G-2  
Budget Division  
Adm. King  
Mr. McCloy

**DIRECTIONS FOR EXCHANGE OF UNITED STATES AND FOREIGN CURRENCY,  
NEGOTIABLE PAPERS, AND DISPOSITIONS**

[Cir. B64]

Circular  
No. 364

WAR DEPARTMENT,  
Washington 25, D. C., 8 September 1944.

**EXCHANGE OF UNITED STATES AND FOREIGN CURRENCIES, CASHING OF CERTAIN NEGOTIABLE INSTRUMENTS, AND DISPOSITION THEREOF BY ARMY DISBURSING OFFICERS**

	Paragraph
SECTION I. General .....	1-2
II. Authority to exchange currencies and to cash negotiable instruments .....	3-5
III. Limitations on form in which personal funds may be carried by military personnel leaving United States .....	6-9
IV. Instructions governing exchange of currencies .....	10-13
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VI. Clearing of negotiable instruments and official checks .....	20-21
VII. Disposition of surplus, mutilated and counterfeit currencies, shipments and technical questions .....	22-29
VIII. Rescission of previous instructions .....	30

**SECTION I**

**GENERAL**

	Paragraph
Purpose .....	1
Currency and exchange controls .....	2

1. *Purpose.*—The purpose of this circular is to—

a. Set forth War Department policies of currency and exchange controls, and the responsibilities of theater commanders for implementing such policies through issuance of supplemental regulations as may be required within their respective areas of command.

b. Consolidate in revised and topical form, within a single circular, previously issued War Department circulars and instructions relating to the exchange of United States and foreign currencies, the cashing of certain negotiable instruments, and the disposition thereof, by Army disbursing officers.

c. Add and incorporate necessary instructions on use and exchange of military and special currencies, and on other relevant subjects not covered in previous War Department circulars.

*d.* Furnish revised list of foreign currencies eligible for exchange by Army disbursing officers, and of approved rates of exchange.

*e.* Amplify and clarify technical instructions to Army disbursing officers in the handling and disposition of United States and foreign currencies and certain negotiable instruments.

*2. Currency and exchange controls.*—*a.* To protect the interests of the United States Government, to assist foreign countries to maintain monetary stability, and to diminish or prevent currency black market operations, it is the responsibility of theater commanders overseas to establish and maintain effective controls over—

(1) The circulation of United States currency,

(2) Excessive accumulation of United States and foreign currencies in the accounts of disbursing officers, and

(3) Exchange of foreign currencies.

*b.* Circulation of United States currency should be prevented to every extent possible in foreign areas except where it is definitely and purposefully established as a common medium of exchange, or where it is utilized with a distinctive design, i. e., yellow seal, or Hawaiian overprint, as a military necessity.

*c.* Rigid controls to establish and maintain appropriate safeguards and security measures are essential to obstruct and prevent black market operations in United States currency, to prevent its falling into the possession of the enemy, and to block the flow of that already in enemy hands back into general circulation.

*d.* Disbursing officers' bank balances should be carried in dollars, and holdings of foreign currencies, except those whose exchange value is guaranteed by repurchase agreements with the countries concerned, should be held to the minimum requirements of working necessities. The need to reduce the holdings of foreign currency in a country where military activity is being curtailed should be borne in mind in order to assure complete disposal of holdings without loss when area activity is terminated.

*e.* The obligation of the War Department to exchange foreign currencies for authorized personnel extends only to those currencies in which troops are paid and in reasonable amounts with due regard to the legitimacy of the source. The maintenance of the exchange privilege on this basis is necessary to block individuals from black market or collusive operation for personal gain.

*f.* Currencies not used for the pay of troops should be exchanged only in exceptional instances upon authority of the theater commander and when they can be disposed of without loss to the Government.

*g.* The instructions contained in this circular are technical and may not provide all necessary safeguards and controls. Accordingly, theater commanders will take the necessary steps to provide supplemental protective measures with regard to currency and foreign exchange problems existing within their respective areas, within the general scope of War Department policies, local foreign exchange regulations, or directives from the Joint Chiefs of Staff or Combined Chiefs of Staff.

## SECTION II

AUTHORITY TO EXCHANGE CURRENCIES AND TO CASH  
NEGOTIABLE INSTRUMENTS

	Paragraph
Exchange of currencies, issuance of Treasury checks, cashing of postal money orders, Treasury and other official checks.....	3
Cashing of checks and money orders inside continental United States.....	4
Cashing of checks and money orders outside the continental United States....	5

3. *Exchange of currencies, issuance of Treasury checks, cashing of postal money orders, Treasury and other official checks.*—For official purposes or for the accommodation of military, naval, and civilian personnel of the United States Government, American merchant seamen, representatives of the American National Red Cross who are United States citizens, personnel of contractors, and of nongovernmental agencies operating with the armed forces of the United States, all of the foregoing hereinafter referred to as “authorized personnel” within the provisions of this circular, and subject to limitations and requirements established by theater commanders, Army disbursing officers are authorized to cash United States Treasury checks or local depository checks drawn by disbursing officers in their official capacities, United States postal money orders, and such checks or similar instruments as may from time to time be prescribed by the War Department; exchange and interchange United States and foreign currency and coin; and issue their official checks in exchange for United States or foreign currency and coin.

4. *Cashing of checks and money orders inside continental United States.*—a. The authority granted in paragraph 3, for Army disbursing officers to issue or cash United States Treasury checks, or to cash United States postal money orders for the accommodation of “authorized personnel” is intended to provide facilities for, and apply to, only such personnel who are en route to, or returning from, overseas areas.

b. Exceptional cases will be referred by the disbursing officer to the commanding general of the service command, who will make the appropriate determination.

5. *Cashing of checks and money orders outside continental United States.*—Army disbursing officers outside the continental United States may cash for authorized personnel, in accordance with paragraphs 14 and 20—

a. Travelers checks and money orders issued by the American Express Company and travelers checks issued by The Bank of America National Trust and Savings Association, the Mellon National Bank of Pittsburgh, and the National City Bank of New York, when these checks are countersigned in the presence of the disbursing officer, or his agent, and provided that the money orders referred to above are so drawn and indorsed that there is no violation of security regulations.

b. Checks of the American National Red Cross drawn on local depositories in the currency of the country where presented when local arrangements exist for clearing such checks without loss to the Government; provided, that the checks referred to are so drawn and indorsed that there is no violation of security regulations. Such checks will be cashed only for an authorized person whose name appears thereon as the original payee.

## SECTION III

LIMITATIONS ON FORM IN WHICH PERSONAL FUNDS MAY BE CARRIED  
BY MILITARY PERSONNEL LEAVING UNITED STATES

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*6. Method of carrying personal funds overseas.*—*a.* To safeguard military information, Army personnel leaving the United States for duty overseas will carry their personal funds, save small amounts in cash, in the form of—

- (1) Treasury checks,
- (2) United States postal money orders, or
- (3) Travelers' checks, as specified in paragraph 5a.

*b.* Postal money orders should be drawn on the postmaster in care of whom mail for the individual will be addressed. Money orders and Treasury or travelers checks will not contain any reference to an overseas geographical location. Army finance officers, Army post offices, and Army exchanges are the authorized agencies for the cashing of such checks and money orders. Such postal money orders, Treasury checks, and travelers checks, upon cashing, will be handled in accordance with the procedure set forth in paragraph 20.

*7. Purchase of foreign exchange prior to departure.*—Since prior purchase of foreign currency by personnel ordered to duty in foreign countries may serve to divulge their ultimate destination, thus violating secrecy on sailings, and since adequate Army finance facilities are available abroad for the conversion of United States currency into foreign currencies, Army personnel will not purchase foreign exchange prior to departure.

*8. Maximum amount of British currency notes which may be imported into United Kingdom.*—*a.* Authorized United States personnel traveling to Great Britain and Northern Ireland are advised that British Finance Defense Regulations prohibit the importation into Great Britain and Northern Ireland, by an individual, of British currency notes in excess of 10 pounds.

*b.* The Regulations referred to in *a* above are rigidly enforced, and, except where exemptions has been granted by the British Treasury, British currency notes in excess of 10 pounds will be confiscated and the possessor will be liable to prosecution.

*c.* The purchase of British currency prior to departure for the British Isles is in violation of security regulations as stated in paragraph 7, and is forbidden.

*9. United States currency in Latin American countries.*—Latin American countries exercise control over both imports and exports of United States dollar currency, and a limit of \$50 has been fixed on the amount which may be taken in or out of those countries. Army personnel passing through those countries should be supplied with travelers checks for use en route.

## SECTION IV

## INSTRUCTIONS GOVERNING EXCHANGE OF CURRENCIES

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*10. Exchange of United States currency on arrival in foreign theaters.*—*a.* Authorized personnel proceeding from continental United States to oversea destinations in which United States currency is not used for the pay of personnel will be required on arrival to exchange United States currency in their possession for local currencies, in accordance with regulations established by commanders of the theaters concerned.

*b.* Enlisted men en route to the North African Theater (including Italy) will turn over to their organization commanders, before arrival at ports of debarkation where Army finance service is available, all United States currency in their possession, against individual receipts given by organization commanders. Upon debarkation the former will exchange the funds thus collected with first available disbursing officer for the type of currency used in the area, and turn over the equivalent amounts to the individuals from whom United States currency has been collected, and whose receipts will thereupon be surrendered and destroyed.

*11. Exchange of foreign currencies in oversea theaters.*—*a.* Disbursing officers in oversea areas will accept from authorized personnel local currency at the rates of exchange prescribed in paragraph 14, for dollar remittance to the United States as personal transfer transmittals; or in exchange for Treasury checks; or regular United States currency for personnel returning to the United States.

*b.* Army personnel in oversea areas are cautioned against sending foreign currencies by mail or courier to addresses in the United States. The recipients thereof are not considered "authorized personnel" as defined in paragraph 3 of this circular, and Army disbursing officers in the United States will not exchange such currencies for holders who have received it in this manner. Since it is desirable to retain such currencies in the areas where they are used, Army personnel who wish to transfer money to the United States will exchange foreign currencies for dollar remittances, using any of the methods now provided through Army channels.

*c.* Where excessive amounts of local currency are presented for conversion, in relation to the pay scale of the individual concerned, disbursing officers should require the execution of certificates by the applicant establishing the legitimacy of the source from which such currency was obtained by him.

*d.* Where exchanges are effected involving foreign currencies of areas other than that in which the disbursing officer is located, on the basis of rates prescribed in paragraph 14, satisfactory proof of the legitimacy of the source from which currencies were obtained will be required.

*e.* Authorized personnel returning to the United States from oversea areas will exchange all local currency in their possession with Army

disbursing officers at oversea ports of embarkation, for regular United States currency or Treasury checks. Alternately postal money orders or traveler's checks may be used.

*f.* In the case of personnel evacuated to the United States from oversea hospitals, funds of patients will be converted, prior to evacuation, into Treasury checks or United States currency by disbursing officers or agent officers.

*g.* In the case of military personnel departing from one oversea area for another, local currency or regular United States currency in their possession should be exchanged for United States yellow seal currency when available. Upon arrival at destination, yellow seal currency remaining in the hands of personnel should be promptly exchanged through disbursing officers for local currency of the area concerned.

*h.* The Government of the Union of Soviet Socialist Republics prohibits the carrying of rubles from that country. Military personnel prior to departing from the Union of Soviet Socialist Republics after completion of duty therein will exchange, at Army disbursing offices, all rubles in their possession for United States yellow seal currency, Treasury checks, or postal money orders. Army disbursing officers located outside the Union of Soviet Socialist Republics are not authorized to accept rubles for exchange.

*12. Exchange of foreign currencies within continental United States.—a.* In cases where evacuated patients, or other authorized personnel, return to the United States with foreign currencies in their possession which for valid reasons were not exchanged prior to departure from oversea areas, in accordance with provisions of paragraph 11, disbursing officers within the continental United States are authorized to accept such foreign currencies for exchange in reasonable amounts, provided that a certificate is executed by the holder declaring that the foreign currency presented was obtained from an authorized and legitimate source; that it was not taken from the country of origin in contravention of the laws or regulations of that country or of any War Department instructions on currency control, and/or regulations of the United States; that it was unavoidably brought into the United States; that no other party has any interest in the transaction; that the applicant returned to the United States on \_\_\_\_\_; and that said currency was acquired at the rate of

(date)

\_\_\_\_\_. When the disbursing officer is not satisfied as to the reasonableness of the amount, or as to the legitimacy of the source, or as to the legal tender status of the currency presented, the request should be referred to the Fiscal Director, Headquarters, Army Service Forces, Washington, Attention: Receipts and Disbursements Division.

*b.* Army disbursing officers are authorized to exchange foreign currency presented by managers of Veterans' Administration hospitals, or their properly designated representatives, provided that it is accompanied by a statement outlining the circumstances under which the foreign currency was brought into the United States, and evidencing that such currency is the property of a discharged or present member of the United States armed forces currently a patient of a Veterans' Administration hospital.

**13. Importation of dollar currency into United States by authorized personnel.**—*a.* As a war measure, and provided that on request facts concerning the legitimacy of the source from which the funds have been obtained are furnished, collectors of United States Customs have been instructed not to take up dollar currency imported into the United States by United States military personnel arriving on a warship, troop transport, or military airplane of any of the United Nations.

*b.* Any United States currency brought into the United States by authorized personnel should be purchased only from Army or Navy disbursing officers, since its purchase from nongovernmental sources serves to aid the enemy in disposing of its stocks of looted dollar currency, and to permit circumvention of currency controls of United States and foreign governments.

*c.* In cases where returning authorized personnel, other than those described in *a* above, acquire United States currency or Treasury checks from disbursing officers in oversea ports of embarkation, the latter should furnish such individuals with certificates stating that the specified amount of dollar funds was paid to the returning individual named, by the signatory finance officer in exchange for local currency. Such certificate should be presented by the holder to collectors of United States Customs on arrival at United States port.

*d.* Only United States \$2 bills, silver, subsidiary coin, and Mexican currency may be imported freely from Mexico.

*e.* Authorized personnel returning to the United States should carry the bulk of their funds in the form of Treasury checks obtained as outlined in paragraph 3, or in the form of postal money orders or travelers checks. Where use is made of the postal money orders, Army personnel are cautioned as to the time limitation of 60 days from date of issue, within which postal money orders drawn in favor of a member of the United States Army may be cashed at a post office other than the one drawn on or at which it was issued.

## SECTION V

### CURRENCIES ELIGIBLE FOR EXCHANGES AND RATES OF EXCHANGE

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**14. Rates of exchange (approved).**—The approved rates of exchange authorized for use by Army disbursing officers in effecting the transaction referred to in paragraphs 3 and 5, involving the purchase or sale of foreign currency or checks, are shown opposite the named currency unit of each country in the following list:

Country or political area	Monetary unit	Value (United States dollars)
Algeria and Tunisia <sup>1</sup>	Franc <sup>1</sup>	.02
Aruba, Netherlands West Indies	Guilder (Florin)	.631208
Australia	Pound	3.228
Azores Islands	Escudo	.04065
Barbados, British West Indies	B. W. I. dollar	.84477
Belgian Congo	Congolese franc	.02297
Bermuda	Pound	4.04
Brazil	Cruzairo	.04975
Burma	Indian rupee	.302627
Canada	Dollar	.9091
Ceylon	Rupee	.302627
Curacao, Netherlands West Indies	Guilder (Florin)	.730504
East Africa, British	Shilling	.20225
Egypt	Pound	4.138473
France (Metropolitan) <sup>2</sup>	Franc <sup>1</sup>	.020175
Great Britain and Northern Ireland	Pound sterling	4.035
Gulana, British	B. G. dollar	.84477
Guiana, French	Franc	.02002
Guiana, Netherlands (Surinam)	Guilder (Florin)	.53333
Iceland	Krona	.1545
India	Rupee	.302627
Iran	Rial	.03125
Iraq	Dinar	4.0425
Italy <sup>2</sup>	Lira <sup>2</sup>	.01
Jamaica	Pound	4.05
Morocco, French <sup>1</sup>	Franc <sup>1</sup>	.02
Newfoundland	Dollar	.9091
New Guinea, British	Australian pound	3.228
New Guinea, Netherlands	N. E. I. guilder	.53092
New Zealand	Pound	3.2442
Palestine	Pound	4.040077
South Africa, Union of	Pound	4.035
Trinidad, British West Indies	B. W. I. dollar	.84477
Union of Soviet Socialist Republics <sup>1</sup>	Ruble (see par. 11A)	
West Africa, British	Pound	4.055
West Africa, French <sup>1</sup>	Franc <sup>1</sup>	.02

<sup>1</sup> See paragraph 17.<sup>2</sup> See paragraph 18.<sup>3</sup> See paragraph 19.<sup>4</sup> See paragraph 11A.

Further descriptive details of foreign currencies, notes, and coins are contained in TM 14-511, distributed to Army disbursing officers.

15. *Nonlisted rates of exchange.*—Disbursing officers in oversea areas will exchange no currencies other than those listed in paragraph 14, except upon approval of the theater commander. Disbursing officers in the continental United States, excluding Alaska, will exchange no currencies other than those listed in paragraph 14, except upon approval of the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., through the service command fiscal director, and then only providing they are supported by affidavits of the applicants to the effect that the currencies were received as pay or in exchange. If obtained other than as pay, the affidavit will contain a full statement as to the source.

16. *Rates of exchange for voucher disbursements.*—The rates of exchange tabulated in paragraph 14 are for use in exchanging approved currency, coin, checks, and money orders. The rate of exchange to be used in computing the United States equivalent for actual voucher disbursements, expressed in terms of local currency, is the rate of exchange at which the local currency was obtained from the depository bank, and the procedure to be used in connection therewith is outlined in paragraph 71, TM 14-506, War Department, 1 December 1943.

*17. Currencies used in French North and West Africa and Corsica.—a.* In French North and West Africa legal tender franc currency used by Army disbursing officers and eligible for exchange include notes issued by the Banque de l'Algerie (including those bearing the overprint "Tunisie"), the Banque d'Etat du Maroc and the Banque de l'Afrique Occidentale, together with notes of the Banque de France in denominations of 5, 10, and 20 francs.

*b.* Army disbursing officers are *not* authorized to exchange currency notes of the Banque de France in denominations of 100 francs which have been overprinted "Banque de l'Algerie" and raised by overprinting to denomination of 1000 francs. This type of currency was put into circulation in Tunisia by enemy occupational forces and is *not* legal tender. Such currency notes in the possession of Army personnel have *not* been received as pay, and have been obtained from unofficial sources.

*c.* In reoccupied Corsica legal tender currency presently includes notes of the Banque de l'Algerie overprinted "Tresor," and Banque de France notes in denominations of 50 and 100 francs, as well as lower denominations. Such notes are legal tender in Corsica only, and are *not* eligible for exchange outside Corsica. Where notes of this description are presented by Army personnel for exchange to a disbursing officer in areas outside the North African Theater, the disbursing officer will *not* take up the notes, but will refer the case for determination to the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., accompanied by affidavit executed by holder, stating the circumstances under which currency was obtained.

*18. Currencies used in Metropolitan France.—a.* Currencies used by Allied Forces in operations in Metropolitan France include regular notes of the Banque de France, and special supplemental franc notes bearing the inscription "Emis en France."

*b.* The supplemental franc currency has been issued in eight denominations of 2, 5, 10, 50, 100, 500, 1,000, and 5,000 francs. Notes in denominations of 50 francs and upwards are of the same size as United States currency notes. Those in denominations of 2, 5, and 10 francs are one-half this size. The face of each note bears the inscriptions "Emis en France" and "Series de 1944," with serial number and the denomination in numerals and in French words. On the reverse of each note appears the tricolor and the words "Liberte, Egalite, Fraternite."

*c.* Regular franc notes of the Banque de France of all denominations have been proclaimed interchangeable at par with supplemental franc notes, within the liberated areas of Metropolitan France.

*d.* Where Banque de France notes in denominations above 20 francs are presented for exchange to disbursing officers outside the European Theater of Operations, exchange will be restricted to holders who establish by affidavit, or other satisfactory evidence, that such notes were received by them as pay or as exchange from a legitimate source within Metropolitan France.

*19. Currency used in Italy.—a.* In liberated areas of Italy, including Sicily and Sardinia, legal tender lira currency used by Army disbursing officers and eligible for exchange include Allied military lira notes and regular Italian currency notes and coins.

*b.* Allied military currency notes bear on the face the inscriptions "Allied Military Currency" and "Issued in Italy," and have been is-

sued in eight denominations of 1, 2, 5, 10, 50, 100, 500, and 1,000 lire. Notes in denominations from 50 to 1,000 lire, inclusive, are of the same size as United States currency notes, and those of lower denominations are one-half this size.

*c.* Regular Italian currency, which is interchangeable at par with Allied military lira currency within liberated areas of Italy, consists of—

- (1) Bank notes issued by the Banca d' Italia, in denominations of 50, 100, 500, and 1,000 lire.
- (2) State notes, issued by the Italian Ministry of Finance, in denominations of 1, 2, 5, and 10 lire, and bearing the inscription "Regno d' Italia Biglietti di Stato a Corso Legale."

## SECTION VI

### CLEARING OF NEGOTIABLE INSTRUMENTS AND OFFICIAL CHECKS

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*20. Procedure for handling checks and money orders.—a.* The designated travelers checks and money orders referred to in paragraph *5a* will be stated or indorsed payable to the Treasurer of the United States.

*b.* Each theater or area commander outside the continental United States will designate a disbursing officer of his command as a central disbursing officer for clearing checks or money orders for the area.

*c.* Local disbursing officers cashing such checks or money orders will invoice the total thereof as cash, on W. D. Forms Nos. 326 and 327 (Invoice of and Cash Receipts for Funds Transferred), to the central disbursing officer supporting the invoice form with checks or money orders in the total amount thus transferred.

*d.* The central disbursing officer will have duplicate official photo-mail copies made of all such checks or money orders at V-mail stations, retaining one copy thereof for his files, and forwarding the other direct to the Finance Officer, United States Army, New York, N. Y., or San Francisco, Calif., whichever is appropriate. The central disbursing officer will invoice to the Finance Officer, United States Army, New York, N. Y., or San Francisco, Calif., on W. D. Forms Nos. 326 and 327 as cash, the total amount of checks or money orders as supporting papers. The central disbursing officers will drop the amount so invoiced without waiting for receipt therefor.

*e.* The Finance Officer, United States Army, receiving such invoice and checks or money orders will take up the total thereof in his account as a cash transfer and will deposit the designated checks or money orders to his credit in the usual manner, or close the transaction with the local agencies of the issuing institutions.

*f.* The advance official photo-mail copy of the checks or money orders will be used as a record of accounts expected. When the original invoices with the supporting checks or money orders do not arrive within a reasonable time, and if investigation indicates that such checks or money orders have been lost, a tracer will be started for

overdue accounts and the Finance Officer, United States Army, concerned will debit his account, as "Funds in Transit," filing a true story of the advance photo-mail copy with his account current and will file a claim against the institution whose checks or money orders have been lost, supporting such claim with the official photo-mail copies of the checks or money orders and with appropriate evidence indicating the loss of the originals.

*g.* In the event that the central disbursing officer is able to obtain reimbursement for the checks and money orders at local paying agencies of the issuing institutions in United States funds at par, or in local currency at a rate of exchange at least as favorable as the rate at which the instruments were cashed, the checks and money orders will be stated or indorsed payable to the officer of the institution concerned, and steps will be taken to inform the disbursing officer or agent disbursing officers in that area as to the appropriate method of stating the required designation of the payee or indorsement.

*h.* In areas where official photo-mail facilities are not available, the central disbursing officer, in lieu of photo-mail copies, will prepare certified duplicate lists of checks and money orders, showing the name of the issuing institutions, the serial number, the amount, the name of the purchaser of the checks or the name of the payee of the money order, and that the instruments are stated or indorsed payable to the Treasurer of the United States.

*i.* The certified lists will be used in accordance with the procedure for photo-mail copies outlined above, as the issuing institutions have filed written agreements to accept either certified lists or photo-mail copies of checks or money orders when evidence that the originals have been lost is presented to these institutions.

*j.* Finance officers may obtain specimen copies of designated checks and money orders from the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., if not currently available in oversea areas.

*21. Disposition of official checks.*—*a.* Checks of disbursing officers, other than United States Treasury checks, drawn in their official capacities on designated depositories in the South and Southwest Pacific areas and expressed in terms of local currency, accumulated in the North American continent by Army disbursing officers as a result of the exchanges authorized in paragraph 3, will be forwarded to the Finance Officer, United States Army, San Francisco, California, treating the transaction as a cash transfer.

*b.* Such checks drawn on designated depositories in all other foreign areas, accumulated in the North American continent will be forwarded to the Finance Officer, United States Army, New York, N. Y., using the same procedure.

*c.* Disbursing officers' checks as described, accumulated outside the North American continent, will be forwarded to the disbursing officer at the place of origin, if this can be accomplished. If the location cannot be determined, inquiry will be made of the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., quoting the name and station number of the drawer, for the information necessary to effect the appropriate return of the official check.

*d.* Upon receipt of such checks at place of origin they will be transmitted to the drawer or his successor in office for processing, except that

checks which have become "stale dated" or otherwise nonnegotiable will be processed through Liquidation Accounts established or to be established in the theater or country involved.

## SECTION VII

### DISPOSITION OF SURPLUS, MUTILATED, AND COUNTERFEIT CURRENCIES, SHIPMENTS, AND TECHNICAL QUESTIONS

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*22. Surplus currencies (overseas).—a. Surplus United States currency.*—The theater fiscal director, on examination of the accounts current of the disbursing officers of his theater, will determine the amount of United States currency in excess of that normally used in theater concerned, and will report such excess by photo-mail to the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C. As determined by the theater fiscal director, the disbursing officers of that theater will transfer all such excess to the central disbursing officer of that theater, treating the transaction as a cash transfer, to be held pending the receipt of instructions from the Fiscal Director, Headquarters, Army Service Forces, Washington 25 D. C.

*b. Surplus foreign currencies and coins.*—Surplus foreign currencies and coins accumulated by disbursing officers will be forwarded to a disbursing officer in the country of issue and by the means prescribed in accordance with instructions of the theater fiscal director treating the transaction as a cash transfer.

*23. Surplus currencies (in United States).—a. Foreign currency notes of the South and Southwest Pacific areas* accumulated by Army disbursing officers in the North American continent will be forwarded via registered mail, and foreign coin of those areas will be shipped separately by safe means to the Finance Officer, United States Army, San Francisco, California, treating the transaction as a cash transfer.

*b. Foreign currency notes and coin of all other overseas areas* accumulated by Army disbursing officers in the North American continent will be forwarded to the Finance Officer, United States Army, New York, N. Y., using the procedure outlined in *a* above.

*c. Accumulations of foreign currencies by the Finance Officer, United States Army, San Francisco, Calif., or New York, N. Y.,* will be forwarded by safe means to a disbursing officer in the country of issue, to be designated by the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., treating the transaction as a cash transfer.

*24. Mutilated currencies.—a. Mutilated United States currency in overseas areas.*—The regulations concerning mutilated currency are contained in paragraphs 5, 6, 7, 8, and 9, section II, Treasury Department Circular No. 55, revised, 25 October 1937, previously distributed to all foreign theaters. Additional copies may be obtained from the

Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C.

- (1) In those cases in which the mutilated currency is in the fully redeemable category, i. e., more than three-fifths of the original proportions remain, Army disbursing officers will ship the currency to the central disbursing officer of the theater for disposition by the currency destruction committee of the theater, treating the transaction as a cash transfer.
- (2) In all other cases in which the fragments are less than three-fifths of the original proportions, the personnel presenting such currency to Army disbursing officers will be advised to forward them for redemption on a collection basis to the central disbursing officer of the theater concerned for disposition by the currency destruction committee of the theater. Affidavits setting forth all pertinent details will accompany the currency. The value allowed on such notes will depend upon the portion thereof remaining and reimbursement will be made to the holder of the address shown in the letter of transmittal.

*b. Mutilated United States currency within continental United States.*—Army disbursing officers in the continental United States will dispose of mutilated currency in accordance with regulations as set forth in paragraphs 5, 6, 7, 8, and 9, section II, Treasury Department Circular No. 55, revised, 25 October 1937.

*c. Mutilated Allied military lire currency.*

- (1) Army disbursing officers will exchange mutilated Allied military lire notes at the face amount of the whole note when one or more fragments are equal in area to more than three-fifths of the whole note and when the serial number is decipherable; and will forward them by safe means to the Central Disbursing Officer, North African Theater of Operations, whose name and symbol number will be obtained from the Fiscal Director, North African Theater of Operations, or from the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C., treating the transaction as a cash transfer.
- (2) Authorized personnel presenting mutilated notes for exchange which do not meet the requirements set forth in (e) above will be advised to forward them for redemption on a collection basis to the Central Disbursing Officer, North African Theater of Operations, whose name and symbol number will be obtained from the Fiscal Director, North African Theater of Operations, or from the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C. The value allowed on such notes will depend upon the portions thereof remaining, and remittances therefor will be made direct to the holder at the address shown in the letter of transmittal.
- (3) When missing portions of notes presented for exchange have been lost by authorized personnel, affidavits setting forth all pertinent details should accompany the letter of transmittal.

#### 4. *Mutilated foreign currencies.*

- (1) Army disbursing officers in oversea areas will exchange and dispose of all mutilated foreign currencies in the manner set forth in the regulations and instructions of the commanding general of the theater concerned, full cognizance being taken of the laws of the country whose currency is involved, as issued or promulgated by the theater fiscal director.
- (2) Army disbursing officers in the continental United States will accept all mutilated foreign currencies for redemption on a collection basis and will ship all mutilated foreign currencies to the Finance Officer, United States Army, New York, N. Y., or San Francisco, Calif., whichever office is appropriate, who in turn will forward them for redemption on a collection basis to the central disbursing officer of the theater of the country of issue, as designated by the Fiscal Director, Headquarters, Army Service Forces.

#### 25. *Government Losses in Shipment Act.*

a. (1) Disbursing officers, agents, and others making shipments of currency and coin will make all shipments, whether by air, land or sea, under the "Government Losses in Shipment Act."

- (2) The Government Losses in Shipment Act, act 8 July, 1937 (50 Stat. 480), section 7, subparagraph (b) (50 Stat. 481), reads:

The term "shipment" means the transportation, or the effecting of transportation, of valuables, without limitation as to the means of facilities used or by which the transportation is effected or the person to whom it is made, and includes, but is not limited to shipments made to any executive department, independent establishment, agency, wholly or partly owned corporation, officer, or employee of the United States, or any person acting on his or its behalf or at his or its direction.

- (3) Regulations are contained in Treasury Department Circular No. 577, 13 August 1937, copies of which may be obtained from the Fiscal Director, Headquarters, Army Service Forces. Particularly important are the instructions in paragraph 3 thereof which read:

*Preparation of shipment.* Each shipment must be inspected and verified by two responsible employees before final preparation for delivery to the carrier (to wit, before sealing, locking, etc.) and must be finally prepared for such delivery in their presence and before leaving their immediate control. In the case of any class of shipments with respect to which it is not possible or practicable to comply strictly with the foregoing requirements, it shall be the duty of administrative officers to make adequate provision, through the establishment of accounting controls, or otherwise, for the maintenance of basic records from which they will be in a position to prove to the satisfaction of the Secretary of the Treasury the exact extent of loss, de-

struction or damage, in the event that claim for replacement out of the Fund, or otherwise, shall be made. The foregoing requirements will apply irrespective of the carrier method of transportation employed in making shipments.

- (4) All shipments will be securely packed in a manner necessary to meet all requirements for air, and, or sea dispatch, whichever is used.

b. To comply effectively with instructions contained in Treasury Department Circular No. 577, 18 August 1937, referred to in a (3) above, lists will be prepared and provided in not less than 4 copies in the following manner:

- (1) A separate list for each country issuing currency contained in shipment.
- (2) Each tabulation under (1) above will be arranged as follows: country, issued by, type of currency, monetary unit, denomination, number of pieces, value by denominations, and value expressed in dollars.
- (3) One copy of the lists will accompany the shipment of currency; one copy will be airmailed to the consignee as advance notice of shipment; one copy will be forwarded direct to the United States Treasury, Bureau of Accounts, Washington 25, D. C., and one copy retained by the consignor.

Illustration (1)

Country	Issued by	Type of currency	Monetary unit	Denomination	No. of pieces	Value by denomination	Value expressed in dollars
U. S.	Fed. Res. Bank, N. Y.	Note	Dollar	\$20	40	\$800	\$800
U. S.	Fed. Res. Bank, N. Y.	Note	Dollar	\$5	60	\$300	\$300
U. S.	Fed. Res. Bank, Boston	Note	Dollar	\$10	25	\$250	\$230
U. S.	Fed. Res. Bank, Boston	Note	Dollar	\$20	40	\$800	\$800
U. S.	U. S. Treasury	Silver certificates	Dollar	\$1	150	\$180	\$150
Total					315	\$2,200	\$2,300

Illustration (2)

Canada	Bank of Canada	Note	Dollar	\$10	20	\$200	\$181.82
Total					20	\$200	\$181.82

Illustration (3)

India	Res. Bank of India	Note	Rupee	Rs100	5	Rs500	\$151.31
Total					5	Rs500	\$151.31

26. *Currencies in effects of deceased personnel.*—All currencies among the effects of deceased personnel will be disposed of in accordance with Circular No. 195, War Department, 1943, as amended.

27. *Counterfeit United States currency.*—a. Counterfeit or raised United States currency notes presented to Army disbursing officers

for exchange will be confiscated by the disbursing officer; a receipt will be furnished the individual presenting the note, and information as to the sources will be obtained. The counterfeit note and pertinent information will be turned over to a representative of the United States Secret Service. In the event that no Secret Service agent is available, the matter will be reported to the nearest military intelligence officer for investigation and the counterfeit note, with a letter of transmittal furnishing complete details, will be forwarded to the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C.

b. The disbursing officer will not reflect the amount of the counterfeit note in his accounts, since no cash value is involved.

c. An illustrated publication, "Know Your Money," issued by the United States Secret Service, Treasury Department, Washington 25, D. C., has been dispatched to Army disbursing officers outside the continental United States. If required, additional copies may be obtained upon request from the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C.

28. *Counterfeit foreign currency.*—Counterfeit or raised foreign currency notes presented to Army disbursing officers for exchange will be treated in the manner prescribed in paragraph 27a, except that the matter will be reported to the theater fiscal officer for instructions as to disposition of the counterfeit notes and pertinent data relative thereto.

29. *Technical questions.*—Technical questions arising in foreign theaters will be addressed to the Commanding General of the theater, Attention: Theater Fiscal Director; or, to the Attention: Chief Finance Officer in those overseas theaters or areas where theater fiscal directors have not been designated. Questions arising in other areas and inside the continental United States will be directed to the Fiscal Director, Headquarters, Army Service Forces, Washington 25, D. C.

## SECTION VIII

### RESCISSION OF PREVIOUS INSTRUCTIONS

30. Section IV, Circular No. 277, section II, Circular No. 359, and Circular No. 386, War Department, 1942; section III, Circular No. 53, section II, Circular No. 112, Circular No. 130, section I, Circular No. 135, section II, Circular No. 152, section III, Circular No. 155, section II, Circular No. 166, section III, Circular No. 196, sections I and II, Circular No. 238, and section I, Circular No. 307, War Department 1943; and paragraphs 54 to 66, section III, TM 14-506, 1 December 1943, are rescinded.

[A. G. 123.7 (4 Sept. 44)].

BY ORDER OF THE SECRETARY OF WAR:

G. C. MARSHALL,  
Chief of Staff.

OFFICIAL:

J. A. ULIO,  
Major General,  
The Adjutant General.

**SHAEF MEMORANDUM ON DELIVERY OF ALLIED MILITARY MARKS**

From: Supreme Headquarters Allied Expeditionary Forces, London, England.

To: War Department.

No.: S59469 VOG 128.

9 SEPTEMBER 1944.

SHAEF Main signed Eisenhower 082345 Sept. AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hilldring and British Chiefs of Staff info SHAEF FWD and SHAEF Military Mission to France for G-5 and Headquarters, Communications Zone for G-5 for Fiscal Director. This is VOG 128 S59469 (Cipart One).

1. Because of operational factors it has been necessary for Fiscal Director ETOUSA after consultation Paris with SHAEF and US Treasury Representatives to give preliminary instructions to US Finance and Disbursing Officers substantially along following lines: "Memorandum. There is being delivered to you a supply of Allied military marks for each finance unit under your jurisdiction."

Action: CCAC.

Information: CCS, Gen Somervell, OPD; Gen Bissell, Gen Richards, Adm King, Col Park, Mr McCloy, C. of S.

**AUTHORITY FOR ACCEPTANCE AND DISBURSEMENT OF GERMAN REICH-MARKS AND REICHSKREDITKASSEN**

These marks will be used officially for all payments by the United States in Germany. Finance Officers are authorized to accept and disburse German reichsmarks and Rentenmarks but are not authorized to accept Reichskreditkassen currency (Marks which were issued to German troops for use outside of Germany). No official rate of exchange has been announced or fixed by Combined Chiefs of Staff or Shaef. Until such time as an official rate of exchange is announced or otherwise fixed, funds in the possession of troops will be exchanged on a basis of 20 marks for one dollar. Conversion at this rate will be applied only to the funds in the possession of the troops at the time of entry into Germany or pay due them. In no case will more than one month's pay be paid.

At this rate; Allied military marks may be accepted by Finance Officers for the purchase of War Bonds, PTA'S, soldiers' deposits, and for all other purposes at the same rate. Vouchers in payment for purchases of supplies and services will be stated in marks and converted at the rate of 20 marks to the dollar for accounting purposes. A separate account will be opened in the books of each Finance Officer for the marks received—in equivalent dollar value. All marks are expended, the amounts so expended will be picked up in the account of the Finance Officer in dollars converted at this rate and credit taken in dollars for the expenditure. Each entry debiting the Finance Officer

with the amounts so spent will be shown as "transferred from mark account." When the official rate of exchange is established, the marks then on hand will be accounted for at the official rate of exchange. In order to reconcile the mark account with the dollar account, it is necessary that careful records be kept of all transactions in marks at the rate of 20 marks to the dollar. This is especially important in the event the official rate of exchange is set at any figure other than the rate of 20 to the dollar. A report will be rendered to this office at the time the official rate is announced, showing the transactions in German marks to include:

A. Amounts used for exchange of funds.

B. Amounts expended on vouchers.

C. Amount of collections to include cash sale of war bonds, PTA'S, soldiers deposits, and other.

Receipts broken down as to categories. Troops in Alsace-Lorraine will be paid in French Francs and no use of Allied Military marks will be made until the Troops cross into Germany. The French authorities will announce the rate at which French francs will be accepted in Alsace-Lorraine for purchases of supplies and services priced in marks during the period in which Reichsmarks will continue to circulate in this area.

No publicity will be given to this rate or to any information included in this letter.

(SIGNED) N. H. COBBS,

*Brigadier General, Fiscal Director, USA.*

Instructions are for your information and advance notice only and you will take no action to carry them into effect until you receive a further express instruction from me on the matter.

2. We are advised that it will be necessary for such instructions to be put into operation if an emergency arises unless an appropriate directive from the CCS can be sent to the field in time.

3. We have cabled Fiscal Director that latest information in London is that an agreement has been reached between the two treasuries on 10 marks to the dollar and 40 marks to the pound and also that British paymasters are being instructed by War Office to use rate of 40 marks to the pound.

4. Cable promptly any instructions you may have on the matter.

END

Action: CCAC.

Info: CCS, Gen. Somervell, Gen. Bissell, Gen. Richards, Adm. King, Col. Park, Mr. McCloy, OPD, C. of S.

OUTLINE OF PRESS RELEASE ON EXCHANGE RATE FOR GERMAN MARKS

Combined Chiefs of Staff,  
Combined Civil Affairs Committee,  
Capt. Conger, 4567.

7 October 1944.

Supreme Headquarters,  
Allied Expeditionary Forces,  
Main Echelon,  
Versailles, France.

Headquarters, Communications Zone,  
European Theater of Operations,  
Main Echelon,  
Paris, France.

Commanding General,  
United Kingdom Base Section,  
London, England.

Number: WARX 43564.

GOV 128 to SHAEF main for SHGE from CCS cite CCAC repeated information CCAC/L, UK Base Section for BCS, Communication Zone pass to SHAEF Mission (France).

Exchange rate for German mark.

1. Following is paraphrased text of joint Treasury and War Department press release on the above subject refer VOG 135 released 3 October 1944 to press in the United States.

Allied military marks are being used in German territory by the military forces under General Eisenhower, regarding which action the Union of Soviet Socialist Republics has been kept fully informed. Reichsmarks and Allied military marks are interchangeable at par. No general exchange rate has been established between the Reichsmark or Allied military mark and the dollar. However a provisional basis of ten marks to the dollar is being used for purposes of calculating troops pay.

2. Following is paraphrased text of answer to parliamentary question asked in House of Commons also on 3 October 1944.

Allied military marks circulating at par with Reichsmarks are being used by Allied forces in Germany. In agreement with the United States authorities the rate of exchange used for military purposes including the computation of troop pay has been provisionally fixed at 40 marks to one pound and ten marks to one dollar. A decision relative to the general rate of exchange for Reichsmarks against pounds sterling and dollars has not yet been made.

3. That a governmental statement on currency plan for Germany await further tripartite coordination is considered desirable.

End.

Originator: CCAC.

Information: ASF. Adm. King.  
CC/S. Mr. McCloy.  
OPD. Bud Div.  
G-2.

#### SHIPMENT OF CURRENCY

Combined Chiefs of Staff  
Combined Civil Affairs  
Committee  
Capt. Conger 4567

11 SEPTEMBER 1944.

Supreme Headquarters,  
Allied Expeditionary Force,  
Main Echelon, London, England.

Commanding General,  
United Kingdom Base Section,  
London, England.

Headquarters, Communications Zone,  
European Theater of Operations,  
United States Army, France.

Number: WARX 29229.

GOV 111 to SHAEF Main for SHGE from CCS cite CCAC repeated information CCAC/L, Communication Zone, and UK Base Section for BCS.

Allied military mark currency shipment. Official schedule in duplicate being forwarded by air mail for shipment of 309 boxes Allied military mark currency marked as indicated in GOV 7 loaded on NY 282. Shipment consists of 98 boxes one-half mark and 211 boxes 1 mark. Cargo security officer in possession of schedule by box number, denomination, and serial number with instructions to deliver to officer receipting for shipment at destination. Receipt of shipment requested via radio.

End.

Originator: CCAC.

Information: ASF.

CC/S.

OPD.

G-2.

Adm. King.

Budg. Div.

Mr. McCloy.

#### RATE OF EXCHANGE FOR MARK CURRENCY

Combined Chiefs of Staff  
WD 77500 Col C. R. Peck FACS 82

19 SEPTEMBER 1944.

Supreme Headquarters,  
Allied Expeditionary Forces,  
Rear Echelon, London, England.

Supreme Headquarters,  
Allied Expeditionary Forces,  
Main Echelon, Versailles, France.

Number: WARX 33305.

To SHAEF London and SHAEF France for Eisenhower, FACS 82 from the Combined Chiefs of Staff.

Subject: Rate of exchange for the German mark.

1. Reference paragraph 4 of the revised financial guide for Germany, appendix "C" of directive, on military government in Germany prior to defeat or surrender (C. C. S. 551/5), dispatched to you

by air courier on 25 August 1944, you will not establish any rate of exchange for the mark on your entry into Germany and you will therefore issue no proclamation in regard to rate of exchange. For the purposes of pay of troops and your internal accounting only however you will use a rate of 10 marks to the dollar and 40 marks to the pound sterling. No publicity should be given to this internal military rate.

2. It is the intention that a general rate of exchange for the mark will not be established until some time after your entry into Germany. You should therefore report to the Combined Chiefs of Staff after your entry into Germany on economic and financial conditions prevailing in that country in order to assist decision as to general rate.

3. Reference to paragraph 1 of above-mentioned revised financial guide for Germany, the rate between Allied military marks and Reichsmarks will be 1 Allied military mark for 1 Reichsmark.  
(20 Sep 44.)

End.

#### PRESS RELEASE

War Department, Bureau of Public Relations, Press Branch.  
Telephone Re. 6700, Br. 3425-4860

OCTOBER 3, 1944.

#### JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Military forces under General Eisenhower are using Allied Military marks in German territory. Allied Military marks circulate at par with Reichsmarks. No general rate of exchange between the Allied Military mark or Reichsmark and the dollar has been established. For purposes of computing the pay of troops, however, a provisional basis of 10 marks to the dollar is being used. The Union of Soviet Socialist Republics has been kept fully informed concerning this action.

#### ARTICLE IN LONDON TIMES

From: Supreme Headquarters, Allied Expeditionary Forces, Forward, Versailles, France.

To: War Department.

No. FWD 16162 VOG 135 30 September 1944.

SHAEF FWD G5 signed Eisenhower 281945 September AGWAR for Combined Chief of Staff, for Combined Civil Affairs Committee for Hilldring repeated UK Base for British Chiefs of Staff; SHAEF Main. FWD 16162. Enciphered by SHAEF Main 30 September 44. VOG-135.

1. Articles have appeared in London papers, including Times, on German exchange rate. Understand similar articles appearing in American press. No release has been authorized by SHAEF and source of information is unknown.

2. As rate of exchange is now of necessity fairly well known among the Armed Forces, impossibility of keeping such information secret must be recognized. Press requesting authorized statement, but up to the present has been told that none is available. To prevent the appearance of uninformed speculative articles, believe it better that press be properly informed.

3. Since Russian plans are also involved suggest that the Governments should issue a statement on the currency plan for Germany.

Action: CCAC.

Information: CC/S	OPD	Adm. King.
ASF	G-2	Mr. McCloy.

#### ADVANCE TO DISBURSING OFFICER OF MARKS

From: Supreme Headquarters, Allied Expeditionary Forces, Rear London, England.

To: War Department.

No.: RR 12346 6 October 1944.

AGWAR RR 12346 for Fiscal Director ASF information to Hildring signed Eisenhower cite SHGE.

SHAEF advises disbursement to U. S. Army Finance Officer Major C. P. Law, F. D. symbol number 211-091 of 387,200,000 French francs on 28th September.

This advance made by currency section for France.

SHAEF also advises following disbursement of German marks to Lieutenant Colonel C. C. Neely, Finance Department symbol number 210-939 as follows—

16th September 23,780,000 marks and on

19th September 469,200,000 marks.

End.

Action: ASF.

Information: CAD.

Budget Division.

#### SHIPMENT OF OCCUPATION CURRENCY

From: Supreme Headquarters Allied Expeditionary Forces, Rear London, England.

To: War Department, Supreme Headquarters Allied Expeditionary Forces, Main Versailles, France.

Nr: RR 12543 12 Oct 44.

AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hildring and British Chiefs of Staff repeat for information to SHAEF Main G-5 for Currency Section for Germany signed Eisenhower ER-12543 this is VOG 200.

War Office advises that approximately 50% of the 729 boxes in last 2 shipments of Mark currency arrived without metal bindings. Some withdrawals of these boxes were required for United States Army needs before this omission was noticed. There appears to have been no tampering with the boxes. Therefore no special record is being kept of such boxes. However we have asked the Bank of England to replace these metal bindings. May we suggest this omission be corrected in future shipments.

End.

Action: CCAC.

Information: CC/S

ASF

OPD

G-2

Adm. King.

Mr. McCloy.

## TRANSACTIONS IN CURRENCY AND FOREIGN EXCHANGE ASSETS

## SUPREME HEADQUARTERS

## ALLIED EXPEDITIONARY FORCE

ADMINISTRATIVE MEMORANDUM  
NUMBER 35

AP0 757  
25 October 1944  
(Revised, 7 December 1944)

## REVISED

1. Administrative Memorandum Number 31, this headquarters, es, subject: Transactions in French Currencies, is rescinded.

2. Except as authorized, personnel in occupied German territory or liberated territory are prohibited from:

a. Importing, holding, transferring, exporting or in any way dealing in United States or British paper currency. Personnel arriving with such currency in their possession will exchange or otherwise dispose of it through Finance Officers/Paymasters within 24 hours of arrival.

b. Participating in transactions involving the purchase, sale or exchange of any currency against any other currency, except through authorized agencies.

c. Importing or exporting any currency through mail or parcel post facilities, except currency as souvenirs not exceeding one dollar or five shillings in value.

d. Participating in any transaction involving gold coin and bullion, or the foreign exchange assets of any person in liberated or occupied territory not belonging to the Allied Forces.

e. Participating in the transfer of any currency against any other currency on behalf of persons not belonging to the Allied Forces in liberated or occupied territory.

f. Participating in the importing or exporting of funds, securities, money or other financial assets on behalf of persons not belonging to the Allied Forces in occupied or liberated territory.

3. The following declaration will be obtained from all personnel entering liberated territory or occupied German territory from outside Continental limits of Europe, except those entering as members of a formed body of troops:

I declare that I hold \$..... U. S./CANADIAN and £..... British paper currency, which I undertake to exchange or otherwise dispose of through a Finance Officer/Paymaster within 24 hours.

4. This order applies to all personnel in occupied German territory or liberated territory who are subject to Allied military, naval, or air force law, except those serving in and subject to the laws of their own country.

5. Violations of any provision hereof will subject the offender to trial by courts martial or other appropriate disciplinary action.

6. The provisions of this order will be brought to the attention of all personnel and will be conspicuously posted in appropriate places.  
By command of General EISENHOWER:

S/ T. J. Davis  
T/ T. J. DAVIS  
*Brigadier General, United States Army,*  
*Adjutant General.*

#### ISSUANCE OF AM MARKS

From: Supreme Headquarters, Allied Expeditionary Forces, Main,  
Versailles, France.

To: War Department.

No. S 65253

3 NOVEMBER 1944.

S 65253 AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hilldring repeat for information to Central District UK Base for British Chiefs of Staff signed Eisenhower this VOG 177.

1. Owing to operations taking place across and close to the German frontier, some AM marks issued to troops for use in Germany are being spent in Eupen, Malmedy, and Luxembourg.

2. Belgian and Luxembourg governments are withdrawing any AM marks in circulation at same time as Reichsmarks and at the same rate. They will also warn population at time of withdrawal that AM marks will not in future be recognized in Belgium or Luxembourg. This has already been done in Luxembourg and will shortly be done in Eupen and Malmedy.

3. Both governments have asked that AM marks thus withdrawn from population should be exchanged by armies for Belgian francs at redemption rate, viz, 5 Belgian francs equals 1 mark and consequently be treated as pay of troops in Belgium or Luxembourg for purposes of dollar/sterling credit.

They urge that it may reasonably be assumed that any such Am marks represent expenditures by troops which would have been in Belgian francs if operational conditions had permitted and that they have been accepted in good faith by civilians to assist the troops. We are satisfied that this is substantially correct and we have received no reports of military procurement being made with Am marks in these areas.

4. We have replied that we will refer this matter to the appropriate authorities and should be grateful for your instructions.

5. We believe that the amounts involved will be small and hope to give figures for Luxembourg in a few days time. We believe that only U. S. Armies are at present concerned in Eupen, Malmedy, and Luxembourg, but a similar point may later arise in Netherlands where U. S. and U. K. forces may be involved. When making a decision, you will no doubt have in mind the generous attitude taken by the governments concerned in agreeing to redeem Reichsmarks received in change by the troops at the rate of 12½ Belgian francs equal 1 mark.

End

Action: CCAC

Information: CC/S

ASF

OPD

G-2

Adm King

Budget Div

Mr. McCloy

## ADVANCES OF OCCUPATION CURRENCY

From: Supreme Headquarters, Allied Expeditionary Forces, Main,  
Versailles, France.

To: War Department.

No: S 68372 VOG 213

25 NOVEMBER 1944.

S 68372 to AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee information to Hilldring repeat for info to SHAEF Rear for CCAC/L; Central District U. K. Base for British Chiefs of Staff; War Office for F-5 signed Eisenhower this is VOG 213.

1. Consider that we have authority to make necessary advances of currency to all Allied contingents appearing in SCAEF's order of battle. Recently, Allied liaison officers attached to this Headquarters have requested that we provide funds that may be required to meet the pay and administration of all Prisoners of War released in the area under SCAEF's control.

2. In the case of requirements of Marks it is proposed that Currency Section for Germany provide these to duly authorised representatives of the Allied powers against signature. Until other arrangements are made it is proposed to treat currencies of liberated territories in the same way. We will advise the Governments whose currencies are being advanced as to such advances being made, so that they can, if they wish, make agreements with the Governments to which the money is given.

Action: CCAC.

Info: CC/S; ASF; OPD; G-2; Adm King; Mr. McCloy.

## EXTRACT

MINUTES OF MEETING HELD IN OFFICE OF THE ASSISTANT SECRETARY OF  
WAR 2 JANUARY 1945 AT 1500 HOURS

(Meeting of U. S. Members of Ad Hoc Committee on Financial  
Planning)

Present at Meeting: Mr. Harrison, OSW, Presiding; General Hill-  
dring, WDGS; Mr. Reinstein, State Dept.; Mr. Moseley, State Dept.;  
Mr. Stanton, State Dept.; Mr. Glasser, Treasury Dept.; Mr. Gunter,  
Treasury Dept.; Mr. Angell, FEA; Mr. Heneman, Bureau of the Bud-  
get; Capt. Sabin, Navy Dept.; Lt. Cmdr. Gluckstadt, Navy Dept.; Dr.  
Feis, OSW; Colonel Pforzheimer, BOWD; Colonel Bean, ASF; Lt.  
Colonel Hilliard, CAD; Major Patton, ASF; Major Blewer, CAD;  
Major Upton, BOWD.

7. Also with reference to the minutes of the 1 November 1944 meet-  
ing of the Committee, information relative to present cross rates be-  
tween Northwestern European currencies has not yet been received by  
the War Department from the Treasury Department. Mr. Glasser  
said that he would include the desired data in a letter to General Hill-  
dring. In connection with the withdrawal of German marks and the  
conversion of such mark currency into French, Belgian and Luxem-  
burg currencies, special consideration has been given by the respective  
governments to the population in the liberated areas of Alsace-Lor-

rairie, Eupen, Malmedy and Luxemburg by means of a rate of exchange more favorable than the officially established external rate between the currencies involved.

8. With further reference to the rates of exchange used by the U. S. S. R., Mr. Glasser said that in addition to having agreed to use a military rate of two German marks to one rouble (official U. S. S. R. rate, 5.30 roubles equal \$1), it is known that the Soviets are employing a rate of 100 lei to the rouble in Roumania. No rouble rate for the Italian lira has as yet been established, but one will be needed as soon as direct relations are established between the Bank of Italy and the Russian State Bank, which is expected in the near future. In connection with the military rate for the mark against the U. S. dollar and pound sterling in Germany, Colonel Bean pointed out that the present cross rate is \$4 equals £1, both the U. S. and British authorities having desired a military mark rate in round figures. It would be highly preferable if these rates could be established on a basis to result in a cross rate of \$4.035 equals one pound sterling, which would avoid the complications which have been encountered because of two sterling-dollar cross rates in North Africa and Italy.

\* \* \* \* \*

/sgd/ CHARLES C. HILLIARD,  
Lt. Colonel, GSC.

#### PAYMENT OF TROOPS IN OCCUPATION MARKS

From: Supreme Headquarters, Allied Expeditionary Forces, Main,  
Versailles, France.

To: War Department

No: S-74067.

7 JANUARY 1945.

S-74067 from SHAEF Main to AGWAR for Marshall for Hilldring personal for Bernstein signed Eisenhower cite SHGE.

We are considering the possibility of paying troops in Germany with Allied military marks only until such time as Reichsmarks and Rentenmarks can be used entirely. It would be most helpful if you could obtain some preliminary official views as to whether there would be an objection to such a program.

HEADQUARTERS, EUROPEAN THEATER OF  
OPERATIONS, UNITED STATES ARMY,  
OFFICE OF THE FISCAL DIRECTOR,  
APO 887, 22 January 1945.

## FINANCE CIRCULAR LETTER #80

## CURRENCY DIRECTIVE

All prior directives from this Office relative to currency are rescinded.

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4. *Authorized Export of Currency.*—Nothing in this circular will be interpreted as prohibiting any member of this command from sending money legally acquired to the United States in the normal handling of his personal finances. Normally amounts so transmitted will not exceed the amounts received for pay and allowances, less expenses over a reasonable period of time.

5. *Import of British Currency.*—a. A member of the United States Army is allowed to bring not more than ten British pounds into the United Kingdom upon initial entry. In case any member of this command brings in more than this sum of British currency, he will promptly report the fact and the amount involved to this headquarters through military channels.

b. No member of this command will directly or indirectly cause British currency to be transmitted to him in the United Kingdom from abroad through the mails or in any other manner. In the event

that any member receives British currency, he will promptly report the amount involved to this headquarters through military channels.

6. *Punishment.*—The illegal export of currency in violation of the British Defense (Finance) Regulations, 1939, and of this circular constitutes a serious offense which will be punished under the Articles of War accordingly.

h. The following letter from Headquarters E. T. O., dated 23 September 1944, subject: "Prohibition Against Circulating, Importing, Or Exporting United States and British Currencies in Liberated and Occupied Areas and Certain Transactions Involving French Currency Except through Official Channels" is quoted for your information:

"1. Letter, this headquarters file AG 121 Op, Subject: "Prohibition Against Circulating, Importing, or Exporting United States and British Currencies in Liberated and Occupied Areas," dated 24 June 1944, is rescinded.

"2. Except as authorized, all personnel subject to the jurisdiction of this headquarters (including officers and men of United States controlled merchant vessels and civilians accompanying or serving with the United States Army) are prohibited from:

a. Importing, holding, transferring, exporting, or in any way dealing in United States or British paper currency in liberated or occupied territory within the European Theater of Operations.

b. Participating in transactions involving the purchase or sale of francs against other currencies except through official channels.

c. Dealing in gold coins or gold bullion.

d. Taking part in negotiations involving sale of French franc against currency other than French on behalf of persons resident in continental France not amenable to the jurisdiction of this headquarters as set forth above.

g. Importing into and exporting from continental France, funds, securities, or money for the account of persons residing in continental France who are not subject to the jurisdiction of this headquarters as defined above.

"3. Violation of any prohibition hereof will subject the offender to trial by court martial or other appropriate disciplinary action.

\* \* \* \* \*

"4. The provisions of this letter will be brought to the attention of all personnel and will be conspicuously posted in appropriate places." The foregoing is equally applicable to financial transactions and exchange involving other Continental currencies.

4. *Monthly Report on Foreign Currency.*—

a. Finance Bulletin No. 99 dated 6 December 1944 is reported for information and guidance of all Accountable Disbursing Officers in European Theater of Operations.

b. Report as required by Finance Bulletin No. 99 will be prepared in triplicate by all Accountable Disbursing Officers in European Theater of Operations each month beginning with a report for month of December 1944. *Report will be forwarded in duplicate within 10 days after the end of each month to Accounts Branch, Office of the*

*Fiscal Director, APO 513, U. S. Army.* When appropriate, negative report will be rendered. Finance Circular Letter No. 72 dated 27 July 1944 is rescinded:

HEADQUARTERS, ARMY SERVICE FORCES,

OFFICE OF THE FISCAL DIRECTOR,

Washington 25, D. C., 8 December 1944.

FINANCE BULLETIN No. 99

MONTHLY REPORT OF FOREIGN CURRENCIES

1. *Purpose.*—The purpose of this Bulletin is to prescribe monthly reports to be rendered by Disbursing Officers who are disbursing foreign currencies advanced to them by Foreign governments or by Civil Affairs Section of the Allied Forces, for which final settlement will be made by the Treasury Department. Such settlement will be based upon reports made by Disbursing Officers as outlined in Paragraph 3 of this Bulletin.

2. *Scope.*—The provisions of this Bulletin apply to Disbursing Officers in the following Theaters of Operations who are disbursing the local currencies listed below in any country within the geographical confines of the Theater:

A. European Theater of Operations and U. S. A. F. in the Mediterranean Theater of Operations:

French Francs (Metropolitan and supplemental)

Belgian Francs

Netherland Guilders (Florins)

German Marks

Italian Lire

BMA Notes (Balkan Countries Only)

B. U. S. A. F. in Middle East:

BMA Notes (Balkan Countries Only)

C. Southwest Pacific Area and U. S. A. F., in Pacific Ocean Areas:

Netherlands East Indies Guilders (Florins)

D. Caribbean Defense Command:

Aruba Guilders (Florins)

Curacao Guilders (Florins)

Surinan Guilders (Florins)

In addition to the above listed currencies, reports will be rendered by Disbursing Officers for other currencies as directed by their Theater Fiscal Director.

3. *Monthly Reports By Disbursing Officers.*—Disbursing Officers will render a monthly report, in duplicate, in accordance with the form set forth in this Bulletin as Exhibit A, for each type of currency handled by them as set forth in Paragraph 2. The report will be in terms of local currency and should be prepared from figures accumulated daily by each Disbursing Officer for each foreign currency handled. In addition, a Disbursing Officer located in the

Balkan Countries and using British Military Authority Notes will render separate reports for each country within which he operates; if an Accountable Disbursing Officer has Class B Agents located in a Balkan Country other than the one in which he himself is located, separate reports will be prepared for transaction in each country.

\* \* \* \* \*

### 1. *Prohibition against Accepting High Denomination Notes in Continental Currencies*

U. S. Army Finance Officers will not accept foreign currency notes of higher denominations than:

- 1000 Belgian Francs
- 1000 French Francs
- 100 German Allied Military Marks
- 50 German Reichsmarks
- 100 Dutch Florins (Guilders)

Personnel subject to Military jurisdiction have no reason for possessing higher denomination notes as no such notes were issued through U. S. Army channels.

Finance Officers on the Continent who have any notes of higher denominations than the above in their accounts will immediately transfer them to the Central Disbursing Officer, APO 887. Finance Officers in the United Kingdom will transfer theirs to Central Disbursing Officer, United Kingdom, APO 413.

If an unusual request that appears legitimate is made to accept large denominations notes, Finance Officers will communicate with the Fiscal Director's Office giving full particulars and obtain approval before accepting them.

### 2. *U. S. Paper Money that is Legal Tender*

Type	Silver Cert.	Armed Forces	U/S/Note	F. Res. Note	F/R Note, Hawaii	Natl. Cy.
Treas. Seal .....	Blue.....	Gold.....	Red.....	Green.....	Brown.....	Brown.
Serial No.....	Blue.....	Blue.....	Red.....	Green.....	Brown.....	Brown.

#### *Other things to be noted:*

**Denomination:** (Silver certificates appear in \$1, \$5, and \$10 only; U. S. notes in \$2 and \$5 only).

**Type of currency** is printed at the top of face.

**Treasury Seal:** Is the Latin inscription legible? Are the saw teeth sharp and distinct?

**Serial Number:** Are the numbers of same size, evenly spaced and aligned?

**Check Letter:** Appears on two places on face, usually upper left and lower right. Divide the *serial number* by 6 and *remainder* should indicate the check letter, as follows:

1-A or G	4-D or J
2-B or H	5-E or K
3-C or I	6-F or L

**Front Plate Number:** Appears on face after one of the check letters.

**Back Plate Number:** Appear only on back, very small.

**Signature of Secretary of the Treasury.**

FCL #80

Particulars of Notes Destroyed  
 Cipher Number Date Denomination  
 (applicable only)  
 to B/E notes of  
 £5 and upwards)

Signatures\_\_\_\_\_

\_\_\_\_\_, 1945 \_\_\_\_\_

A separate certificate to be used for each category of notes.

(3) The certificate will be transferred to the Central Disbursing Officer, U. K., APO 413, who will assign each certificate a number in sequence. The Central Disbursing Officer will prepare a letter to transmittal listing the certificates; the letter being addressed to the Bank of England, attention: Mr. H. Q. Askwith and signed by the Fiscal Officer, U. K. Base.

\* \* \* \* \*

#### 4. German

#### INSTRUCTION MUTILATED CURRENCY (NOTES)—GERMANY

a. The following provisions will apply with regard to German currency notes held by Allied Military Personnel which are legal tender but unfit for further circulation.

b. Reimbursement will be made at face value by Allied Paymasters/Finance Officers—

(1) For all notes where the fragments presented are more than one-half ( $\frac{1}{2}$ ) of the original note.

(2) Where the note fragments presented are not more than one-half ( $\frac{1}{2}$ ) of the original note provided a regularly appointed Allied Paymaster/Finance Officer is satisfied that the remainder of the notes in question have been destroyed and attaches a certificate signed by him which describes the evidence of such destruction and gives the names of witnesses from whom such evidence has been obtained.

c. Allied Military Authorities may obtain reimbursement for the face value of mutilated or unusable currency notes, which they have destroyed after the requirements of paragraph b (1) or b (2) above have been met, upon presentation to Allied Paymaster Finance Officers of a certificate of destruction of such notes by the Allied Mili-

\*Strike out whichever is inapplicable.

tary Authorities. This certificate must be signed by a regularly appointed Allied Paymaster/Finance Officer who carried out the destruction, and must be witnessed by another member of the Allied Armed Forces. When the destruction has been ordered by a medical authority and carried out without an Allied Paymaster/Finance Officer being present, the certificate will be signed by two Allied Officers who witnessed the destruction and their signatures will be authenticated by an Allied Paymaster/Finance Officer. The certificate will set forth:

(1) The number of notes of each denomination which have been destroyed, and the type of notes in each case, i. e. Allied Military Marks, etc.

(2) The serial number of each note, when it is decipherable.

(3) A separate list of all notes, where the serial numbers are not decipherable, with a statement that the serial numbers could not be distinguished.

(4) The circumstances which required destruction.

(5) The location and date of destruction and the method of destruction used.

d. All mutilated or unusable currency and/or the certificates required as outlined above will be forwarded to a branch of the Currency Section for Germany for reimbursement. The Currency Section for Germany will show separately any such reimbursements that it makes in its accounts and give full particulars in its monthly report. The Chief (or Deputy Chief) of each branch of the Currency Section for Germany, and one other officer of the Branch are responsible for the destruction by fire of unusable or mutilated notes, forwarded to them and reimbursed, and a certificate duly signed by the above officers of the Branch "Certified that mutilated and unusable notes shown in these accounts to a total value of MKS\_\_\_\_\_ have been destroyed in our presence," will form a voucher to the monthly account. Certificates of destruction as set out in para. c will be retained by the Currency Section for Germany with a notation to this effect in its Monthly Report.

\* \* \* \* \*

#### X. PAYMENT OF LOSSES IN FOREIGN COUNTRIES DUE TO APPRECIATION OF FOREIGN CURRENCIES IN THEIR RELATION TO THE AMERICAN DOLLAR

Cable dated 25 June 1944 from the War Department is repeated for information and guidance of all concerned:

"Attention is invited to following Executive Order 9449, 15 June 1944 which amends Executive Order 7972, 15 September 1938 published in Finance Bulletin 5, 1943:

"By virtue of the authority vested in me as President of the United States by the Act of 26 March 1934, 48 Stat 406 (USC title 5, Section 118C), Executive Order 7972 of 15 September 1938, as amended, prescribing regulations governing payment of losses sustained by Officers, Enlisted Men, and employees of the United States in foreign countries on account of appreciation of foreign currencies in their relation to the American dollar is hereby further amended effective as of 1 July 1944 as follows:

'Paragraph 1, Section II (B) of the said Executive Order is amended to read as follows:

'In case of Officers, Enlisted Men, and employees serving under the War or Navy Departments (with the exception of personnel of Military and Naval Mission, Military and Naval Attachés, Naval Observers, Port Directors, and other other persons attached to their offices, and other Officers, Enlisted Men, and employees when designated by the Secretary of War or the Secretary of the Navy, who will be governed by paragraph (A) of this Section), no losses will be payable.

'Paragraph 2.

'The provisions of any other section of the said Executive Order 7972 as amended, so far as they are in conflict with the provisions of this order, are amended accordingly.'

Payment of exchange loss is authorized for period from date of entry into appreciation area to include 30 June 1944."

N. H. Cobbs,  
N. H. Cobbs,

*Brigadier General, USA, Fiscal Director.*

HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY  
OFFICE OF THE FISCAL DIRECTOR

APO 887  
12 MARCH 1945.

CHANGES NO. 1, FINANCE CIRCULAR LETTER #80

CURRENCY DIRECTIVE

1. Finance Circular Letter #80, Office of the Fiscal Director, Headquarters, European Theater of Operations, dated 22 January 1945 is amended as indicated:

\* \* \* \* \*

j. New Par. 1g is added to Sec. IV reading:

"g. G-5 Division, Financial Branch, SHAEF has issued the following instructions relative to submission of claims for shortages in boxes of currency issued by or returned to them. No claims will be presented by Finance Officers without full compliance with instructions in Par. (2) (a) and (b) below. All claims for shortages will be transmitted through the Office of the Fiscal Director, Hq. ETOUSA, APO 887.

'This' Financial Memorandum No. 8 rescinds and supersedes Financial Memorandum No. 7 dated 24 August 1944.

(1) Where a Currency Section has received or issued an unopened box or package of coin, currency notes or postage stamps stated to contain a certain quantity of coin, currency notes or postage stamps, claims for shortages made to or by the Currency Section will be dealt with as follows:

(2) Reimbursement will not be made to or by a Currency Section for any shortages of coin, currency notes or stamps, except with the prior approval of Supreme Headquarters AEF. All available information

pertaining to any claim for such shortages or discrepancies will be forwarded by the Currency Section through the appropriate CFA to Supreme Headquarters AEF, Financial Branch, G-5, for instructions. Such information should include:

(a) The label on any carton, the strap or wrapper on any package and the number of identifying symbol of any box or package in which the shortage or discrepancy occurred or was discovered, together with a report of any known circumstances in which the shortage or discrepancy occurred.

(b) A separate affidavit from each of two officers over his signature certifying for each shortage that:

(i) there was no fraud, misapplication, or misuse of funds.

(ii) there was no negligence.

(iii) the box concerned was first opened immediately prior to the discovery of the loss or discrepancy.

(iv) the contents of the box were verified by two officers jointly before any disbursements were made.

(c) Such comments as the Currency Section considers appropriate.

(3) The amount of the shortage of coin, currency or postage stamps will be carried in a Suspense Account in the books of the Currency Section, and shown in the Balance Sheet as a separate item on the Assets side under a general heading—"Other Debit Balances". Instructions as to the ultimate disposition of the shortage in question will be given by Supreme Headquarters AEF, Financial Branch, G-5 Division."

\* \* \* \* \*

"5. *Exchange of Reichsmarks in Department of Haut-Rhin and Bas-Rhin.*

"Directive from Hq ETOUSA dated 3 March 1945 is quoted:

"To: Commanding Generals, First, Third, Seventh and Ninth Armies

"French Ministry of Finance reports that they expect to issue a proclamation in the very near future, tentatively set for March 12, requiring civilians in the Departments of Haut-Rhin and Bas-Rhin in Alsace to declare (signed EISENHOWER) their holdings in Reichsmarks and this procedure covering conversions will be made for civilians only. The exchange rate during this period will be 15 French francs for one Reichsmark. However, such exchanges will be limited to 500 RM. All amounts in excess of 500 RM will be placed in a blocked account with the Bank of France.

"It is also expected that for a limited period only, the same rate of exchange will be announced for military personnel on the premise that at the time of the withdrawal of Reichsmarks in the departments of Haut-Rhin and Bas-Rhin, troops would have small amounts of Reichsmarks in their possession, received as change. It is therefore anticipated that redemption by the Bank of France will be set at the rate of 15 to one. You are hereby authorized to redeem Reichsmarks acquired by our troops in this manner at the rate of 15 to one but under no circumstances shall the amounts so exchanged exceed approximately fifty Reichsmarks for each individual. All such Reichsmarks received by disbursing officers will be held separately and not paid out, but transferred to Central Disbursing Officer, Continent, with a certificate stating that exchange was made at the rate of 15 to one

for military personnel, out of military pay, in accordance with this directive.

'Disbursing Officers will report by letter direct to Fiscal Director this Headquarters, weekly total amount of Reichsmarks being exchanged by them under this procedure.

'This rate of exchange applies only to Reichsmarks and not to Allied Military Marks which will be exchanged only at official rate. French francs only will be used in the areas described herein for payment of troops. On effective date of proclamation, Finance Officers are authorized to accept from individuals not exceeding approximately fifty Reichsmarks per individual for personal transfer account, cash purchases of War Bonds, Soldiers Deposits, etc., and from Army Post Offices as receipt from sale of postal money orders, stamps, etc. limited to approximately fifty Reichsmarks per individual, Reichsmarks at rate of 15 French francs per Reichsmark. All transactions will be computed on dollar basis. All conversions at above rate will cease on terminal date specified in proclamation unless owner can prove the exchange could not be made within the period due to military operations. Advise all under your jurisdiction.'

q. Par. 3, Sec. VI is changed to Par. 3a.

s. New Par. 4g is added to Sec. VI, reading:

"g. Warning—Verrechnungsschein.

"A new type of German Military paper is now being issued to German Military personnel in occupied countries. It bears the word 'Verrechnungsschein'. Effective 1 January 1945, such media of exchange were furnished German troops as a means of obtaining restricted amounts of German currency according to their rank and status.

"'Verrechnungsschein' is issued for conversion into Reichsmarks, stated in amounts of one (1), five (5), ten (10), and fifty (50). 'Verrechnungsschein' is NOT legal tender and has NO cash value.

"Disbursing Officers are warned against accepting 'Verrechnungsschein' from anyone. The above information should be disseminated by Finance Officers to Commanders of organizations served by them for the protection of all U. S. personnel.

"Description furnished by Currency Section for Germany of the Verrechnungsscheine (settlement of clearing notes) for the German Army:

"The new Verrechnungsscheine for the German Army, in 1, 5, 10, and 50 RM denominations are distinguishable by sizes and colors as follows:

1 RM—Size: 6.5 x 12 cm.

Front: Print light green with dark green overprinting.

Back: Olive green. Paper white with watermark cross-circle.

5 RM—Size: 7 x 13.5 cm.

Front: Print light blue with dark blue overprinting.

Back: Light blue. Paper white, watermark cross-circle.

10 RM—Size: 7.5 x 14.5 cm.

Front: Print bright red with dark brown overprinting.

Back: Bright red. Paper white with watermark—circle-hexagon.

50 RM—Size: 8.5 x 15.5 cm.

Front: Print purple with light brown protective printing.

Overprinting brownish purple—red numbering right and left.

Back: Purple. Paper with watermark circle-hexagon.

'All four notes correspond as to text and general arrangement. The underprinting of five ornamental lines is enclosed by a border which contains the denomination figures in the four corners. In the left lower corner, in a circle left free of the underprinting, is the seal of chief administration of the Reichskreditkassen with the national insignia. On the right half of the note is richly ornamented design (guilloche) enclosing the large denomination figure.

'The inscription reads:

VERRECHNUNGSSCHEIN  
FOR THE GERMAN ARMY  
FIFTY (TEN, FIVE, ONE)  
REICHSMARK  
ISSUED BERLIN, 15 SEPTEMBER 1944  
CHIEF ADMINISTRATION  
OF THE REICHSKREDITKASSEN

This note serves for settlement in military travel as well as for payment of expenses in countries where payment in the standard currency is restricted.

Its use for ordinary payments is prohibited.

The text on the reverse side is surrounded by a richly decorated border which has the denomination figures in the four corners. The text reads:

VERRECHNUNGSSCHEIN  
FOR THE GERMAN ARMY.  
WILL BE ISSUED IN COUNTRIES OUTSIDE GERMANY UNDER PROVISIONS  
OF PAY REGULATIONS FOR THE GERMAN ARMY  
ONLY TO ARMY PERSONNEL AND THOSE OF LIKE STATUS AND  
WILL BE EXCHANGED ONLY FOR THOSE PERSONS BY ALL  
CASHIERS AND PAY OFFICES OF THE ARMY, THE REICHSKREDITKASSEN AND EXCHANGE OFFICES, AND IN THE  
REICH, BY THE GERMAN REICHSBANK AND THE OTHER  
GERMAN MONEY INSTITUTIONS.' "

\* \* \* \* \*

N. H. Cobbs,  
N. H. COBBS,

*Brigadier General, USA, Fiscal Director.*

HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY  
OFFICE OF THE FISCAL DIRECTOR

CHANGES NO. 2, FINANCE CIRCULAR, LETTER #80

APO 887  
22 MARCH 1945.

CURRENCY DURETIVE

1. Finance Circular Letter #80, Office of the Fiscal Director, Headquarters European Theater of Operations dated 22 January 1945 is further amended as indicated:

a. New Par. 6 i is added to Section I reading:

"i. Letter, Headquarters ETOUSA, dated 15 March 1945, subject: "Currency Secured from Unlawful Sources" is quoted for your information and guidance:

1. Letter, this Headquarters, file AG 123 x 250.1 OpJA, subject as above, dated 14 November 1944, is rescinded.

2. To prevent the securing of funds by military personnel from unlawful sources, including captured enemy currency, barter with prisoners of war, black market operations and similar methods, commanders of all echelons will take continuing and vigorous steps to:

a. Adequately safeguard all captured enemy currency until turned over to the nearest finance officer for proper disposition.

b. Prevent the securing of currency by US military personnel from prisoners of war by barter or other means.

c. Effect the immediate exchange at official exchange rates of all US and British currency now held by members of the US forces on the continent to French francs or other appropriate continental currency, and to assure themselves, by periodic inspections, that British or US currency which may subsequently come into the possession of military personnel is also disposed of in this manner.

d. Insure that offenders in this category are made the subject of strong disciplinary action.

3. Until further notice, the transmission by military personnel of funds to any point outside the theater utilizing means other than those afforded by US Army Finance Officers, Army War Bond Officers, or through the Army Postal Service, and except as outlined below, is prohibited.

a. Any person (excluding officers of field grade and above) desiring to transmit funds by PTA, postal money order, or by purchase of war bonds, will first submit application in appropriate form to the unit personnel (or comparable administrative) officer, who will be charged with maintaining a record in respect to each such individual in the unit, indicating the date, amount, and method of every transmittal of funds by such person.

b. Following entry of the pertinent information on the record referred to in a above, the personnel officer will countersign the application as evidence of such entry and return it to the applicant for further processing through regular channels.

c. Unit commanders will examine the unit record of fund transmittals in conjunction with individual deposits entered on WD FD Form No. 33 (Soldier's Deposit Book) and individual records of currency exchanges (see par. 4, below) at frequent intervals for the purpose of informing themselves as to the existence of any case in which a person has transmitted, deposited, or exchanged disproportionately large sums of money either in a single transaction or in the aggregate. In such cases, which will include the transmittal and/or deposit by an individual in a single calendar month of amount in excess of such individual unencumbered pay, investigation will be made, and if indicated, appropriate action will be taken.

d. Finance, postal, and war bond officers are prohibited from accepting any applications for transmission of funds by persons defined in a above, unless such applications have been countersigned as provided in b above.

4. Finance officers will make an individual record with respect to each currency exchange transaction of a less valuable for a more valuable currency (viz: up-grade conversions, which will be defined from time to time by the Fiscal Director, this headquarters) executed on behalf of any person below commissioned field grade. At the close of business each day, such individual records will be delivered or mailed to the unit commander concerned, for his information and consideration in connection with the unit record of fund transmittals.

5. Care will be taken by all concerned that proper and authorized transmission of funds from legitimate sources is not discouraged and that other pertinent aspects of the theater soldiers' savings program are not prejudiced hereby.

6. The provisions hereof will be brought to the attention of all personnel."

Paragraph 3a of quotation is interpreted to include all cash and voucher collections for transmission of funds, excluding all types of allotments.

b. Par. 2a (1), Section II, is amended as follows:

"Location of Hq. Advance Section, Captain Cleve W. McGriff, FD, Symbol Number 211-698 is amended to read:

'Liege, Belgium instead of Namur, Belgium'".

c. Par. 2, Section III is amended to include:

"This reference is properly construed to prevent the cashing of checks drawn on Canadian Banks. This prohibition is necessary since the Bank of England will not clear such checks transferred to the Central Disbursing Officer, U. K., and there are no other facilities to accomplish this clearance."

d. Par. 1g, Section IV is amended to include the following:

"SHAFF Financial Memorandum No. 8, as quoted in changes No. 1, 12 March 1945, is applicable to the handling of claims for shortages in boxes containing currencies other than supplemental French francs and Allied Military marks.

"The following procedure, to be followed by Finance Officers in making claims for shortages in boxes containing supplemental French francs and Allied Military Marks, is quoted in part from a letter from the Financial Branch, G-5, SHAFF, dated 13 March 1945:

'(1) The receipt for an unopened box of currency will be given subject to a count, the minimum requirements being:

(a) When the box is opened the number of cartons of notes therein will be verified and the label on each carton will be examined to ascertain that each contains the correct denomination of currency.

(b) The cartons must be inspected to determine that the seals are not broken and that there is no evidence that the contents have been tampered with.

(c) In order to determine if any boxes have been tampered with, each box will be carefully inspected before distribution to a Disbursing Officer \* \* \*.

(d) At the time the seal of a carton is broken, it will be broken in the presence of two officers and the contents verified immediately.

(e) When there is evidence that a box or carton has been tampered with, the box or carton must be immediately opened and its contents verified by two officers.

(f) In the event of discrepancy, the strap on the individual package of notes involved, and the label on the carton, together with affidavits (g) below setting forth in detail the facts in the case, will be executed by both officers making the count and forwarded to Financial Branch, G-5, (through Fiscal Director) for further instructions.

(g) A separate affidavit is required from each of the two officers over his signature, certifying for each shortage that:

- i. There was no fraud, misapplication or misuse of funds;
- ii. there was no negligence;
- iii. the carton concerned was first opened immediately prior to the discovery of the loss or discrepancy;
- iv. the contents of the carton were verified by two officers jointly before any disbursements were made, and
- v. The instructions in paragraphs (1) (a) through (f) above have been complied with."

e. New par 4d is added to Section IV reading:

"d. The above foreign currency reports will be *used* by the Treasury Department for final settlement with foreign governments. It is essential that these reports be accurate.

(1) Funds in the hands of Class "A" and "B" Agent Finance Officers at the end of the month will be included in item 15 of the Disbursing Officers report for the particular currency advanced. Deferred payrolls will be treated in the same manner.

(a) A schedule will be attached to the Account Current showing the type of currencies advanced to agent officers or represented by referred payrolls.

(b) The sum of the analysis of cash on hand at the end of the month shown on the reverse of the Account Current and the amounts shown on the schedule required by Par. 4d (1) (a), must equal item 15 in the Foreign Currency Reports.

(2) Foreign currency reports must be sent with the Account Current to the Accounts Branch of this office.

(3) Finance Officers will maintain daily adequate currency analysis books to facilitate the preparation of the necessary reports. Fiscal and Finance Officers will check all Disbursing Officers under their control to see that this is accomplished.

(4) Particular care will be given to the computation of item 9 in the reports.

(5) Care should be exercised that item 15 in one report is carried forward to item 1 of the next report for the same currency.

(6) Attention is invited to the instructions that a separate report be prepared for each type of currency and amounts will be stated in terms of currencies concerned. This is the intent of the term 'local currency' which means the type of currency used and should not be construed as meaning the currency of the country in which the finance officer is operating."

f. Par. 5e, Section IV is rescinded and the following substituted:

"c. *Disposition of Seized Currency and Financial Assets.*

(1) SHAEF Administrative Memorandum #49, dated 7 March 1945, covering the *approved* instructions for disposing of currency and other financial assets seized from enemy forces or found abandoned is quoted:

**'DISPOSITION OF CURRENCY AND OTHER FINANCIAL ASSETS SEIZED FROM ENEMY FORCES OR FOUND ABANDONED.**

'1. *Definitions.* For the purpose of this Administrative Memorandum:

a. *Liberated territory* means the territory of any of the United Nations in the European Theater of Operations.

b. *Enemy territory* means the territory of the German Reich and Austria prior to 31 December 1937.

c. *Financial assets*, excludes currency but includes, inter-alia, uncanceled stamps of all kinds, cheques, securities of all kinds including certificates of deposit or receipts therefor, foreign exchange assets, gold (in bullion or coin), silver or platinum in bullion form, warehouse receipts, bills of lading, commercial paper, bank books, postal, giro or other money orders, letters of credit and jewels.

'2. *Currency Seized from Enemy Forces.* All currency, except that taken from Prisoners of War or agents or suspects taken into custody, seized by the Allied Forces from enemy forces, whether in Allied or enemy territory, will be handed over against receipt, to the nearest Finance Officer \* \* \* with a detailed report of the circumstances in which the currency was found. Currency so turned over will be treated as follows:

a. *If still legal tender* in the country of issue, it will be brought on to the books of the Finance Officer \* \* \* as captured funds and used for requirements in the territory in which the currency is legal tender. The Finance Officer \* \* \* will send in duplicate, to the Controller of Finance and Accounts G-5 Civil Affairs of the appropriate Army Group, details of the amounts thus taken on to his books.

b. *If no longer legal tender* in the country of issue, the Finance Officer/Paymaster or Civil Affairs/Military Government Sub-Accountant will accept the money on a hand receipt and will not enter it into his accounts. Finance Officers/Paymasters will turn over the currency, securing hand receipt, to the Controller of Finance and Accounts, G-5/Civil Affairs of the appropriate Army Group.

'3. *Financial Assets from Enemy Forces.* Financial assets taken from enemy forces, other than Prisoners of War or agents or suspects taken into custody, will be treated as follows:

a. *If taken in liberated territories*, they will be handed over against receipt to nearest Civil Affairs Officer, who will deposit them, against receipt, in the nearest branch of the central bank and will furnish full particulars to the Controller of Property of the Supreme Headquar-

ters, AEF Mission to the Government in whose territory the articles have been found.

b. *If taken in enemy territory*, they will be turned over, against receipt, with full particulars of the circumstances in which they were discovered to the nearest Military Government Officer to be treated as enemy property under Military Government Property Control instructions.

*4. Currency and Financial Assets Found on Prisoners of War.* Currency and financial assets found on Prisoners of War will be treated in accordance with current instructions, provided the circumstances are such that the Prisoners of War appears to be the owner. Where there is adequate reason to believe that the Prisoner of War is not the owner, currency will be disposed of according to the provisions of paragraph 2, above, and other financial assets according to the provisions of paragraph 3, above.

*5. Currency and Financial Assets Found in Possession of Agents and Suspects.* Currency and financial assets found on agents or suspects, taken into custody, will be treated in accordance with current G-2 instructions whether or not the person appears to be a bona fide holder. Current instructions on this subject are contained in a Supreme Headquarters, AEF G-2 document entitled "Disposition of Personal Effects of Agents or Suspects Detained by the AEF," dated 24 August 1944.

*6. Currency and Financial Assets Found Abandoned or Unprotected.* a. Currency and financial assets abandoned by the enemy forces will be treated respectively according to the provisions of paragraphs 2 and 3, above.

b. In all other cases currency and financial assets found unprotected will be treated in the same way, and disposed of in accordance with the provisions of paragraph 3, above.

*7. Currency and Financial Assets which are Adequately protected.* All funds and financial assets whether in public or private premises adequately safeguarded against misappropriation will be left alone. If currency and financial assets which are left in situ include foreign exchange assets such as gold and silver bullion or non-Germany currency, securities, cheques, drafts, etc., the existence of these assets should be reported to the nearest Military Government Officer.

(2) Finance Officers will not accept any financial assets as defined in Par. 1c of quotation whatsoever and will accept currency only when it is submitted as captured or seized from the enemy or as found abandoned under such circumstances that clearly indicate it was formerly the property of enemy forces. The term "Enemy Forces" is interpreted to mean enemy military forces.

(3) Finance Officers are cautioned to obtain the full details of the source of the currency before accepting it, as funds erroneously credited to miscellaneous receipt account 213897, for captured currency cannot be refunded without special authorization from Fiscal Director, Army Service Forces, Washington

(4) If currency is accepted and a doubt exists as to its being classified under paragraph 2 or paragraph 6a of quotation, the amount should be put in Special Deposits, pending investigation, and the same report required for captured currency will be rendered as directed in Par. 5d, Section IV, Finance Circular Letter Number 80. Request by letter accompanying report that a determination of the classifica-

tion of the funds be made and that the Finance Officer be advised of the decision in order that he may make final disposition."

g. Reference Changes Number 1, dated 12 March 1945, Par 1n, reference to pars 1b-1f Section IV should have read pars. 1b-1f Section V.

h. Introductory paragraphs in Section VII (down to but not including *Par. 1 Belgian*) are rescinded. Par. 1, Belgian is changed to Par. 5, Belgian and Par. 2, French is changed to Par. 6, French. The following paragraphs are added as paragraphs 1 to 4 inclusive:

"1. Civil Affairs Financial Memorandum No. 12, SHAEF, 13 March 1945, subject: 'Counterfeit or Forged Coin and Currency Notes' is quoted:

'Counterfeit or forged coin or currency notes (hereinafter called "counterfeits") which come into the possession of Allied Military Personnel, will be dealt with as follows:

a. Counterfeits (including Allied Military Currency) must be immediately forwarded to the nearest \* \* \* Finance Officer who will:

(1) Issue a receipt to the individual from whom received, without taking the amount on to his books.

(2) Obtain from such individual an affidavit in quadruplicate which will indicate:

(a) Name, rank, serial number and unit or organization of the individual from whom the counterfeits were received.

(b) Full description of each counterfeit, date and place where obtained.

(c) All other known facts describing how the counterfeits came into the possession of the recipient.

(d) A statement that reasonable precautions were taken by the recipient to detect the counterfeits before acceptance.

(3) The \* \* \* /Finance Officer will:

(a) Retain one copy of the affidavit for his files.

(b) Dispatch the original and duplicate together with the counterfeits to the Currency Section of the SHAEF Mission to the Country concerned (hereinafter called "the Currency Section Concerned") or, in the case of German counterfeits, to the appropriate branch of the Currency Section for Germany.

(c) Dispatch the fourth copy of the affidavit to the \* \* \* US Fiscal Director, Hq, ETOUSA.

b. Counterfeits discovered by a \* \* \* /Finance Officer \* \* \* in his accounts will be dealt with as follows:

(1) A letter will be prepared in quadruplicate addressed to the Currency Section concerned, or in the case of German counterfeits, addressed to the appropriate branch of the Currency Section for Germany, listing the notes by type, serial number, denomination, sources, and circumstances under which received if known.

(2) The counterfeits will be sent with the original and duplicate of the letter to the appropriate Currency Section. The triplicate will be retained by the \* \* \* Finance Officer \* \* \* in his account as evidence of the transaction in respect of such counterfeits until a proper receipt is received from the Currency Section. The fourth copy of the letter will be dispatched to \* \* \* US Fiscal Director, Hq, ETOUSA, \* \* \*.

c. Where a counterfeit has been delivered to a bank against receipt, said receipt will be dealt with according to the provision of this memorandum in the same manner as a counterfeit.

"2. The appropriate Currency Sections referred to are:

Currency Section for France, SHAEF Mission to France, APO 757, U. S. Army

Currency Section for Belgium and Luxembourg, SHAEF Mission to Belgium and Luxembourg, APO 757

Currency Section for Netherlands, SHAEF Mission to Netherlands, APO 757

Currency Section for Germany, 12th Army Group Branch, Rear Hqrs., 12th Army Group, G-5 Division, APO 655

"3. *French* counterfeit currency which is a part of a *Finance Officer's Accountability* will be handled in accordance with the instructions in par. 1 b (1) and (2) above and the following additional instructions will govern:

a. Forward such currency to the Currency Section for France, SHAEF Mission to France, APO 757, with additional letter of request; for determination by Head Office, Bank of France, that such currency is actually counterfeit. *Request* should be made that, if the answer is in the affirmative, *a certificate*, describing the money in detail, and stating that such currency is counterfeit, *will be obtained from the Bank and returned* to the Finance Officer *with the counterfeit notes* suitable cancelled.

b. If any Finance Officer has previously transmitted by letter counterfeit French notes *that were part of his accountability* to the Central Disbursing Officer, he will write the Central Disbursing Officer giving all identifying details of the notes involved and request the Central Disbursing Officer to attach such notes to his letter and forward to the Currency Section for France, making the same request outlined in *a* above, including the return of the notes and certificate direct from the Currency Section for France to the interested Finance Officer.

3. Request that a Board of Officers be appointed, as set forth in Par. 10, AR 35-180, to act on the case. The currency and certificate will be turned over to the Board of Officers and the Finance Officer will account for the funds in accordance with Finance Bulletin 102, 1944.

"4. All counterfeit notes other than French discovered in Finance Officer's accountability should be transmitted as defined in Par. 1 b (1) and (2) above and the general procedure as outlined in Par. 3 above should be followed. Letter request should accompany all such transmissions to the appropriate Currency Sections that the notes be determined counterfeit by the Bank of issue or German Currency Section in the case of German counterfeit notes, and also that the counterfeit notes be returned with the certificate for submission to a Board of Officers."

N. H. Cobbs,  
N. H. COBBS,  
Brigadier General, U. S. A.,  
Fiscal Director.

HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY  
OFFICE OF THE FISCAL DIRECTOR

APO 887  
19 APRIL 1945

CHANGES NO. 3, FINANCE CIRCULAR LETTER #80

CURRENCY DIRECTIVE

1. Finance Circular Letter #80, Office of the Fiscal Director, Headquarters, European Theater of Operations dated 22 January 1945 is further amended as indicated:

a. Par. 4 of quotation from letter, Hq. European Theater of Operations in Par. 6 i, Section I, is amended to read:

"4. Finance Officers will make an individual record with respect to each currency exchange transaction executed on behalf of any person below commissioned field grade, which falls within such category as will be defined from time to time by the Fiscal Director, this headquarters. At the close of business each day, such individual records will be delivered or mailed to the unit commander concerned, for his information and consideration in connection with the unit record of fund transmittals."

b. Par. 6 i, Section I, is amended to include:

"Authority is hereby delegated to Fiscal and Administrative Finance Officers to act in their respective Commands whenever deemed necessary to accomplish proper currency control, in defining any types of currency exchange transactions, in addition to those which have been defined by the Fiscal Director in Sec. I, par. 6, FCL #80, on which it is desired that Finance Officers make an individual record and dispose of same as stated in Par. 4 of letter quoted above. Such action, when taken, will be coordinated with all Ground Force, Air Force, and Communications Zone Fiscal or Administrative Finance Officers operating within the same geographical area. It is requested that the Fiscal Director be advised promptly of any such additional currency exchange transactions so defined, giving a brief explanation of necessity."

c. Par 2 a (1), Section II, is amended as follows:

"Funding Officer, ADSEC now: Captain M. S. Sivertson, FD, Symbol 211-837, vice C. W. McGriff, Captain, F. D."

d. Par 7, Section III, is rescinded and the following is substituted therefor:

"7. *Exchange Rate Swedish Kronor.* The War Department has advised that use of the approved rate of 4.19375 Swedish Kronor equals \$1.00, or one Swedish Kрона equals 0.23845 US is authorized and that this rate of exchange will be published as amendment to War Department Circular No. 304, 1944. Swedish currency accumulated by exchange should be turned in to Funding Officers who will transfer such currency to the nearest Central Disbursing Officer."

e. With the exception of first paragraph, remainder of Par 5d, Section IV is rescinded and the following is substituted therefor:

"Reports will be sent in duplicate to the Controller of Finance and Accounts, G-5/Civil Affairs of the appropriate U. S. Army Group. The country in which capture or seizure was made will be clearly indicated in each report.

"A copy of each report will continue to be forwarded to the Accounts Branch, Office of the Fiscal Director, APO 513, U. S. Army.

"Pars 6d (2), (3), (4), and (5), SOP 11—Fiscal Procedures, 23 March 1945, are being amended accordingly."

f. Par 3c, Section VI, is amended to include:

"Description of Additional Valid 5 and 10 Florin Netherlands Bank Notes.

"Denomination: Fl. 5: 'Zilberbon'.

"Size: 5" by 27/8".

"Colour: Front: Light Green.

Back: Light green and light brown.

*"Particulars: Front.*

"The word 'Zilberbon' is shown clearly near the top of this note against a dark green background under which in small print appears the word 'Groot.' The amount in words viz 'Vijf Gulden' has been printed in the centre, to the left and right of which a large figure 5 can be seen. Under the amount in words and the two figures 5 one can read 'Wordt ter betaling aangenomen door de Nederlandsche Bank en aan alle Rijkskantoren. Inwisselbaar in zilver na aankondiging.' In the left-hand bottom corner one furthermore reads 'Geregistreerd. De Wnd. Agent v. h. Departement v. Financien', followed by the signature of the Deputy Agent of the Department of Finance. In the right-hand bottom corner one first of all observes the date of issue under which one reads 'De Wnd. Secretaris-Generaal v. h. Departement v. Financien', followed by the signature of the Deputy Secretary-General of the Department of Finance. Across this note along the left-hand edge the word 'Nederland' has been printed; along the right-hand edge the words 'Wettig Betaalmiddel.' Above the word 'Zilverbon' the word 'Serie' is shown, followed by the serial letters to the right of which the serial number has been printed.

*"Particulars: Back*

"Along the top of this note one observes the word 'Nederland'; along the bottom the words 'Wettig Betaalmiddel.' Under the letter R of the word 'Nederland' the Netherlands Lion has been printed whereunder in a circle the figure 5 is shown. The statement re counterfeiting reading: 'Het namaken of vervalschen van zilverbons met het oogmerk om die als echt en onvervalscht uit te geven of te doen uitgoen, wordt gestraft met gevangenisstraf van ten hoogste negen jaren.' To the left and right of the Netherlands Lion and the amount in figures appear two blank spaces.

"NOTES.—The five guilder note is something new in Netherlands currency. It was first issued in mid-October 1944 by the occupying authority as a 'Zilberbon'—that is, convertible into silver under certain conditions. We are informed they are legal tender, and will be honored with their other currency. It is only with the liberation of additional Netherlands territory that the notes have put in an appearance

but they are now coming to light in some volume. They can be accepted by Finance Officers.

"Denomination: Fl. 10:

"Size:  $6\frac{1}{2}'' \times 3\frac{13}{16}''$ .

"Colour: Front: Blue.  
Back: Greenish Blue.

*"Particulars: Front*

"The centre of this note is largely taken up by a white square through which a watermark 'NED BANK' is visible. In both top corners of this square the serial number has been printed whilst the serial letters with the word 'Serie' in front appears in between the two numbers. In this square one furthermore observes the words 'De Nederlandsche Bank betaalt aan 'Toonder' under which in large print one reads the amount in words viz, 'Tien Gulden.' Under these last two words in very small print appear the place and date of issue. To the left of the square a standing figure of a blacksmith can be seen, his left hand holding a hammer which rests on an anvil. Two more tools are resting against the anvil. The man's right arm is outstretched towards the outstretched arm of a woman whose picture appears to the right of the square. Along the top of the square appear two large wings of a bird, super-imposed on which one sees a small circle containing a snake and an hour-glass. The two top corners of this note have been provided with the amount in figures printed in a small square, whereas in between the heads of the blacksmith and the woman one can read the words 'Arbeid' and 'Welvaart.'"

*"Particulars: Back*

"Four circles appear in the corners of this note, the top left corner and the bottom right corner having been provided with the amount in figures. The remaining two circles show the serial number. The amount in words has been printed in the centre of the note whereas the statement re counterfeiting has been printed in very small print across the note to the left and right of the amount in words. It reads: 'Het in voorraad hebben of binnen het Rijk in Europa invoeren van valsche Nederlandsche bankbiljetten met het oogmerk om ze als echt uit te geven wordt gestraft met gevangenisstraf van ten hoogste zeven jaren. Wetboek van Strafrecht Artikel 232.'

"NOTE.—The ten-guilder note described ceased to be legal tender some years ago and while still valid should be exchanged for notes in current circulation. The Netherlands Military Administration would appreciate it if those that do turn up are: (1) Turned over to the Nederlandsche Bank or its agencies for exchange or, (2) alternatively sent to the Currency Section (Netherlands) for transmittal to the Netherlands Military Administration. Other valid Fl. 10 notes will be submitted for them.

"Denomination:

$6\frac{3}{4}'' \times 3\frac{7}{8}''$

"Size:

Front: Blue

"Colour:

Back: Brown and dark green.

Fl. 10:

*"Particulars: Front*

"A blank space appears on the left-hand side of this note through which a watermark consisting of a sailing boat is visible. In the four corners of the right-hand side the amount in figures is shown;

each amount having been printed in a small square. In between the two amounts in figures near the top of the note one observes "De Nederlandsche Bank" whereunder "Betaalt aan toonder Tien Gulden" has been printed; the last two words being in large print. The portrait of a woman dressed in national costume can be seen near the bottom of the note in between the two amounts in figures. She is wearing a large white lace headdress.

*"Particulars: Back*

"At the top and bottom of the blank space, which now appears on the right-hand side, the serial number has been printed. The amount in figures appears again in the four corners of the left-hand side; the serial number again being shown in between the amounts in figures near the top and bottom. Across the note in very small print between the amount in figures on the left and right one can read the statement re counterfeiting whereunder one finds the place and date of issue.

"NOTE.—This series of notes has been recalled and not many are likely to be found. The Netherlands Military Administration would appreciate it if those that do turn up are: (1) turned over to the Nederlandsche Bank for exchange or (b) alternatively, sent to the Currency Section (Netherlands) for transmittal to them. Other valid Fl. 10. notes will be substituted for them."

g. The first two sentences in Par 4 f, Section VI are rescinded and the following substituted:

"Finance Officers operating in Germany will disburse *Allied Military Marks only*. Currencies of other countries and German indigenous currency will not be used for payments in Germany."

h. New Par 2 f is added to Section VIII reading:

"f. (1) At the request of the Bank of France the certificates of destruction of mutilated or unusable Bank of France, supplemental, or French Treasury notes referred to in 2b above, and certificates of destruction required in connection with reports of proceedings of Boards of Officers referred to in 2 d above, must be prepared in accordance with the attached specimen form (Appendix 'A').

"2) To facilitate identification of types of Bank of France currency notes, as required in 2b (1) and 2 d above, the Bank of France is furnishing a consolidated photostat of all currency notes issued by them which are in common circulation at this time, bearing the title 'Tableau des types de billets de la Banque de France.' Copies of this publication are being mailed to all Finance Officers. Type designations are shown at the base of each currency note reproduced thereon. Types of valid Bank of France currency notes not included in this publication should be described as completely as possible."

i. New Par. 4e is added to Section VIII reading:

"e. Finance Officers will transfer to Major S. D. Hoffman, FD, Symbol 211-660, 18th Finance Disbursing Section, APO 655, on Form No. 326-327, all mutilated or unusable currency and/or the required certificates as outlined above, for redemption by Currency Section for Germany."

j. The last sentence of Par. 5 e; Section VIII is rescinded and the following is substituted:

"Mutilated notes and/or certificates will be transferred through the appropriate Funding Officer to Major W. M. Koehler, Symbol 211-903, 134th Finance Disbursing Section, APO 228, U. S. Army for redemption by the National Bank of Belgium."

k. The last sentence of Par. 7 d, Section VIII as submitted by Par. 1 z. Changes No. 1, is rescinded and the following substituted:

"Mutilated currency and/or certificates will be transferred through the appropriate Funding Officer to Major Michael Cohen, Symbol 211-243, 138th Finance Disbursing Section, APO 228, U. S. Army for redemption by the Currency Section for the Netherlands."

N. H. COBBS,

N. H. Cobbs,

*Brigadier General, USA, Fiscal Director.*

### DESTRUCTION OF CURRENCY

#### REPORT OF PROCEEDINGS OF BOARD OF OFFICERS AND CERTIFICATE OF DESTRUCTION

Organization ----- Date -----, 1945  
 Order convening Board -----  
 Board convened on -----, 1945.  
 There were present -----,  
 -----,  
 -----,

#### Purpose of Board:

To inquire into the circumstances in which the notes listed hereafter valued at—

Bank of France Notes ----- Fcs. -----

Supplemental Notes ----- Fcs. -----

Total ----- Fcs. -----

were rendered unfit for further circulation and to decide if such is the case, and if so, to appoint three of its members to witness the total destruction by burning of the notes in question.

#### Findings of the Board:

The Board, after having considered the evidence placed before it and having carefully examined the notes in question of a total value of French Francs -----, decided that their condition was such that they were unfit for further circulation. The Board ordered that they be destroyed by burning and appointed the undermentioned three members to witness the burning:

-----  
 -----  
 -----

Date -----, 1945.

-----  
*President of the Board.*

## WITNESSES' CERTIFICATE OF DESTRUCTION

We, the undersigned, duly appointed to witness the burning of (No. of notes) to a total value of French Francs -----, hereby certify that they were burned and totally destroyed in our presence this ----- day of -----, 1945.

Signatures: -----  
-----  
-----

## LIST OF NOTES DESTROYED \*

## Bank of France:

Type	Note Serial No.	Denomination	Total Value
Supplemental:	Note Serial No.	Denomination	Total Value

\* Notes should be listed and a total value shown for each denomination of Bank of France and Supplemental issues. Notes of other countries must *NOT* be included. If space is insufficient to list all notes, attach a further schedule.

**HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY  
OFFICE OF THE FISCAL DIRECTOR  
APO 887**

5 JUNE 1945.

CHANGES No. 4,  
FINANCE CIRCULAR  
LETTER #80

## CURRENCY DIRECTIVE

1. Finance Circular #80, Office of the Fiscal Director, Headquarters, European Theater of Operations dated 22 January 1945 is further amended as indicated:

a. New Par 2 b is added to Sec I reading:

"b. Finance Disbursing Officers will, prior to exchanging funds for military personnel departing the Continent for the United Kingdom or for the United States, satisfy themselves that the exchange is made at last point of contact on the Continent or thru distribution by unit commanders after boarding ship.

b. Par 6 f, Sec I is further amended to include:

"Discussion with the French Ministry of Finance has resulted in the following agreement as to the types of finance service which may be rendered by the United States Army.

*Exchange of Currency*

Exchange service may be granted to only such French Military Personnel as are serving with the U. S. Forces, such as Liaison or Interpreters, and does not apply to French Military Units.

Exchange from one type of continental currency to another is authorized under the same conditions as exchange would be made for U. S. personnel.

Exchange of continental currency to British sterling or U. S. dollars in amounts not to exceed £5-0-0 or \$50.00 respectively and only upon presentation of travel orders where travel to such areas is indicated. When exchange is made, travel orders will be indorsed to that effect.

No other finance service is authorized, such as PTA facilities, purchased of War Bonds, Spearhead Deposits, etc."

This should not be construed to change any prior or subsequent directives of this office specifically authorizing the use of methods referred to therein for a definite purpose.

c. New Par 6 j is added to Sec. I reading:

"j. Letter, Hq ETOUSA, file AG 123 OpGA, dated 19 April 1945, Subject: 'Possession by Military Personnel of German Indigenous Currency in any Denomination or of Other Continental Currency Notes which Exceed Certain Denominations' is quoted for information and guidance of all concerned:

"1. Effective 1 May 1945, Letter, this headquarters, file AG 121 OpGA, subject: 'Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations', dated 22 November 1944, is rescinded and the provisions set forth below substituted therefor.

2. a. Only Allied military authority German marks will be used for disbursements or other official transactions except that any payments made to Germans for commodities or services officially requisitioned or procured will utilize German-issue money (from accumulated stocks) to the maximum extent.

b. The Belgian and Dutch currency issued is only that which is indigenous to the country concerned and does not exceed denominations of 1,000 and 100 respectively.

c. Both native and Allied military authority French francs, up to the maximum denomination of 1,000 have been disseminated through official channels.

"3. In view of the foregoing, the possession by US military personnel of German-issue currency in any denomination; Belgian francs or French indigenous money in denominations greater than 1,000 francs; or Dutch currency in denominations of more than 100 florins, will be considered sufficient cause for investigation as to source and as to the means by which acquired. Appropriate disciplinary action will be taken where indicated.

"4. Currency notes described in paragraph 3, above, unless such action is approved by a general officer, will not be accepted by disbursing officers for exchange, PTA, or other transactions; by war bond or post exchange officers for cash purchases; by postal officers for stamps, money orders, etc.; or by any other personnel (excluding civil affairs officers) handling official or quasi-official funds except that finance officers will continue to accept proper deposits of captured enemy funds."

d. Par 2 a (1) Sec II is amended to include:

"Major W. H. Koehler, O-1280018, 134th Finance Disbursing Section Symbol 211-903 is appointed Sub-Funding Officer at Brussels effective 1 May 1945."

"Lt. Colonel B. F. Hillman, FD, Symbol Number 212-233 will replace Major O. T. Hinkley, FD, Central Disbursing Officer, U. K. Base, APO 413 effective 1 June 1945."

"Captain M. S. Sivertson, Symbol No. 211-837, 127th Finance Disbursing Section, located at Hersfeld, Germany ceases funding operations effective 3 June 1945."

"Lt. Colonel Charles S. McCormick, Symbol No. 211-226, 78th Finance Disbursing Section, located at Erlangen, Germany, and Major C. L. Duff, Symbol No. 212-170, 52d Finance Disbursing Section, located at Munchen-Gladback, Germany, commence funding operations 3 June 1945."

"Finance officers located in Germany will obtain funds or turn in surplus funds to the nearest of these two funding officers."

e. New par. 3 is added to Sec. II reading:

"3. *Request for Funds—French Francs.*

a. Effective upon receipt, French currency required by disbursing officers will be furnished by Central Disbursing Office (Continent).

b. Request for French francs will be submitted in writing direct to Central Disbursing Office (Continent). Request will be forwarded on the fifth day of each month in the following form:

Subject: Request for French Funds.

To: Central Disbursing Office (Continent), APO 887, U. S. Army.

1. Request that check in the amount of \_\_\_\_\_ French francs be forwarded to this office under symbol No. \_\_\_\_\_.

2. Disbursements for the preceding month amounted to \_\_\_\_\_ francs and I have on hand at present French francs in the amount of \_\_\_\_\_.

3. I am properly bonded in accordance with Par. 3 and 8 of AR 35-220 under a bond of \$\_\_\_\_\_ approved \_\_\_\_\_.

(Amount)

(Date)

JOHN DOE

Major, FD

Finance Officer

c. Funds requested should be consistent with actual requirements. Accumulating large reserve supplies of currency must be avoided.

d. Emergency requests for funds may be submitted at any time by telephone or teletype and will later be confirmed in writing with the words 'Confirming telephone conversation of \_\_\_\_\_' conspicuously marked on all such requests. Emergency requests will only be made under exceptional circumstances.

e. The Central Disbursing Office (Continent) will mail checks to disbursing officers requesting funds on the 15th of each month. Upon receipt of checks, disbursing officers will negotiate same at nearest branch of Bank of France.

f. If banks are unable to furnish desired quantities of denominations of 2, 5, and 10 francs, same should be obtained from nearest designated funding officer.

g. Funding Officers will deposit with nearest branch of Bank of France, by procedure in Par. 2 a (5), Section II, Finance Circular Letter No. 80, all 50, 100, 500, and 1,000 denomination French franc notes on hand in excess of their own requirements. Denominations of 2, 5, and 10 francs will be retained for future funding as outlined in f, above."

f. Par. 1, Sec. III is amended to include:

"20 Norwegian Kroner equal 1 pound sterling. 4.9566 Norwegian kroner equal 1 dollar."

"24 Danish Kroner equal 1 Pound Sterling. 5.9480 Danish Kroner equal 1 dollar."

"1 Czechoslovakian Kronen equals 1 U. S. cent."

"40 Austrian schillings equal 1 pound sterling. 10 Austrian schillings equal 1 dollar."

g. New par. 1i is added to Sec. IV reading:

i. (1) Withdrawals of Czechoslovakian currency will be handled by same procedure contained in paragraph 1 above except National Bank of Czechoslovakia will be shown as issuing authority instead of SHAEF. Cable acknowledgment will be made to Washington and separate report for Czech currency will be prepared monthly in accordance with par. 4, Sec. IV, Finance Circular Letter No. 60.

(2) This currency was drawn for the purpose of exchanging limited amounts for military personnel to facilitate purchases in certain areas. Finance officers will not convert Czechoslovakian kronen into other currencies in excess of the equivalent of \$10.00 for enlisted man and \$20.00 for officer. Kronen will not be accepted for deposits or transmissions to the United States."

h. New Par. 4e is added to Sec. IV reading:

e. (1) Experience with Currency Reports which have been submitted in the past indicates that there is a lack of uniformity of interpretation as to the items to be reported under the respective headings of the report. The following types of transactions are hereby defined and will be reported under the headings on the report as indicated:

(a). Incoming transfers covering cash advances to the British, OWI, etc. (wherever applicable), should be included under line 3 and be supported in accounts by WD Form 326 indicating the type of currency advanced.

(b) All cash collections exclusive of funds credited to Miscellaneous Receipts as 'captured funds' will be reported under line 5.

(c) 'Captured funds' and other unusual receipts not otherwise covered should be reported under line 6. All items accounted for in line 6 must be fully explained in an attached schedule.

(d) Refunds of Spearhead Deposits to U. S. military personnel and units should be included in figures shown in line 8.

(e) Claims, witness fees, miscellaneous purchases and payments to native civilian personnel will be reported under line 10.

(f) Outgoing transfers covering cash advances to the British, OWI, etc. should be reported under line 11 in the type of currency advanced.

(g) Repayments of Spearhead Deposits to other than U. S. personnel or unit should be reported under line 17. Similarly, repayments of Spearhead Deposits used to accomplish special transactions as authorized by the Fiscal Director from time to time should be recorded under line 13. All items accounted for under line 13 must be fully explained in an attached schedule.

(h) Amounts returned to Currency Sections should be listed as item 11a.

(2) In an effort to clarify other misunderstandings which seem to exist the following informative data is furnished:

(a) Checks, negotiable instruments and deferred vouchers stated in a foreign currency, lost foreign currency, balances with local depository banks, etc., for which the disbursing officer is accountable shall

be treated as a part of the balances at the beginning and end of the period for purposes of the reports on foreign currency.

(b) Foreign currency amounts reported as having been transferred from other accountable disbursing officers shall be based upon the foreign currency amounts stated in related WD Forms 326 and 327. Each WD Form 326 and each WD Form 327 should show type of currency transferred.

(c) Foreign currency amounts in the possession of Class "A" or Class "B" agents and as reported on the last WD FD Form 45 or WD OCF Form 45B for the accounting period shall be treated as being on hand at the end of the accounting period and as a part of the foreign currency balance at the end of the period.

(d) Line 5 on the report should be reported in the actual currency that the cash collection was made and not converted to other currencies.

(e) Beginning balances appearing on the reports of a period will be in agreement with ending balances shown on corresponding reports of the previous period.

(f) Reports required to be rendered in accordance with Finance Bulletin Number 99 for the European Theater of Operations are:

French Francs (Metropolitan and Supplemental)	Italian Lire
Belgian Francs (not Luxembourg)	BMA Notes (Balkan countries only)
Netherlands Guilders (Florins)	Norwegian Kroner
German Marks (Marks having other value than 10 cents not included)	Austrian Schillings
	Czechoslovakian Kronen

(g) Disbursements of Allied Military Marks in Czechoslovakia will be shown as footnote explanation on the German Currency Report."

i. New Par. 6 is added to Sec. V reading:

"6. *Withdrawal of Bank of England Notes of £10 and Higher denominations.* The Bank of England has issued a notice that on and after 1 May 1945, Bank of England notes of £10 and higher denominations will have been withdrawn and will cease to be legal tender in the United Kingdom, although such notes will still be payable at the Bank of England.

a. Effective immediately finance officers will not accept or disburse £10 or higher denominational Bank of England notes.

b. In the event Finance Officers have any such notes on hand they will transfer them to the nearest funding officer.

c. Funding officers on the Continent will transfer such notes to the Central Disbursing Officer (Continent), APO 887 and finance officers in the U. K. will transfer them to Central Disbursing Officer (U. K.), APO 413.

d. If a future request that appears legitimate is made to accept such denominational Bank of England notes, finance officers will communicate with the Fiscal Director's Office giving full particulars and obtain approval before accepting them."

j. New Par. 7 is added to Sec. V reading:

**"7. French Currency Conversion Program:**

a. French currency (supplemental and Bank of France notes) in the following denominations *only* will be withdrawn from circulation during the period 4-15 June inclusive.

1000 French franc notes

500 French franc notes

100 French franc notes

50 French franc notes

A new type of French franc note will be substituted in the same denominations.

b. All disbursing officers will take immediate steps to secure a supply of the new notes in sufficient quantities to replace present supply of such denominations by the procedure outlined herein.

c. Disbursing officers in France will receive, prior to the conversion date, a check from the Central Disbursing Officer, (Continent), which will be an initial supply only. These checks will be cashed at the nearest branch of the Bank of France on the first date of the conversion, or earlier if such arrangements can be made with the Bank of France. Resupply of the new notes should be obtained by making a direct exchange of *all old notes* of the denominations mentioned for new notes at the nearest branch of the Bank of France. *Present surplus amounts* will be deposited immediately in branch of Bank of France to the credit of the Central Disbursing Officer, (Continent), in accordance with Par 2 a (5), Section II, Finance Circular Letter No. 80. It is important that this be done now in order to alleviate the verification process at the bank during the conversion period.

d. Disbursing officers outside of France will secure a supply from the Finance Officer, Advance Section, Finance Officer, Continental Advance Section, Finance Office, 134th Finance Disbursing Section, Brussels, Belgium or Central Disbursing Officer, (U. K.) whichever is nearer. Supply will be available after 27 May.

e. Finance officers will protect stocks of new currency issued to them and will treat all knowledge of the conversion as secret until the conversion date is announced.

f. Necessary steps will be taken to insure the exchange of old denominations in possession of all troops as rapidly as possible after the conversion starts.

g. There is no change in rate involved; denominations will be exchanged one for one.

h. During the conversion period, where it is necessary to use old denominations due to lack of new denominations, such old notes may be used for personnel travelling to France, with specific instructions to exchange the old for the new denominations immediately upon arrival in France. Every effort, however, should be made to furnish all personnel going to France with the new notes before departure.

i. Any exchanges made for individuals, subject to military jurisdiction, after the terminal conversion date will be supported by certificates stating that old currency was originally acquired through source of pay and allowances prior to June 4 and exchange could not be accomplished during the conversion period, giving reason.

j. Notify all under your jurisdiction to arrange for exchange during conversion period so that troops in and going to France will have legal tender notes in their possession.

k. There will also be a new issue of the 5,000 franc denomination but finance officers are not authorized to handle such notes.

l. A new note in the denomination of 300 francs is being introduced.

m. Finance officers will not disburse any old type notes after the conversion program starts."

k. Paragraph 1, Section VI is rescinded and the following is substituted:

"U. S. Army finance officers will not accept foreign currency notes of higher denominations than:

1000 Belgian Francs

1000 French Francs

100 German Allied Military Marks

100 Dutch Florins (Guilders)

100 Austrian Allied Military Schillings"

1. Paragraph 3c, Section VI, is further amended to include:

"DENOMINATION: Fl. 40.

Size:  $6\frac{1}{16}$ " x  $3\frac{1}{16}$ ".

Color: *Front*: Green. Back: Yellow and Green.

#### *Particulars of front*

The figure 40 appears in the four corners of the note printed in light green in a darker green circle. Between the two amounts in figures on the left appears a small picture of Hermes in sitting position whereas the same space on the right has been provided with a sailing vessel. The center of this note shows the words "De Nederlandsche Bank betaalt aan Toonder Veertig gulden" above which appears a small bust of William the Silent. To the left and right of this bust one can faintly distinguish the words "Ned Bank." An old-fashioned picture of a canal with boats, a bridge and houses appears at the bottom.

#### *Particulars of back*

In the center of this note one observes a picture showing several buildings along a canal with barges tied to the quay. Above this picture one can faintly distinguish the words "Ned Bank" superimposed on which the serial number has been printed whereas this number is also shown in the two bottom corners. The two top corners have been provided with the amount in figures whereunder the place and date of issue have been printed. The statement re counterfeiting read "Wetboek van Strafrecht Artikel 232. Het in voorraad hebben of binnen het Rijk in Europa invoeren van valsche Nederlandsche Bankbiljetten met het oogmerk om ze als echt uit te geven wordt gestraft met gevangenisstraf van ten hoogste zeven jaren" is shown under the picture.

NOTE.—Forty guilder notes described above should be exchanged for other notes at the Nederlandsche Bank or one of its agencies. Failing that, it has been arranged that the Currency Section will receive them and turn them over to the Netherlands Military Administration. Other valid notes will be substituted for them.

Denomination: Fl. 1.—(Zilverbon).

Size:  $5\frac{1}{16}$ " by  $2\frac{13}{16}$ ".

Color: *Front*: Brown. Back: Brown and green.

*Particulars of front*

Near the left hand edge of this note in the center one can faintly observe a picture of H. M. Queen Wilhelmina. The figure 1 appears in the two corners on the right hand side. In a white square in the center of this note one observes near the top left hand corner the word "Serie," followed by the serial letter. The right hand top corner has been provided with the serial number. Faintly visible in the center of this square one can distinguish the words "Een gulden," superimposed on which one reads "Wettig betaalmiddel. Koninkrijk der Nederlanden Zilverbon Groot Een Gulden. Wordt ter betaling aangenomen door de Nederlandsche Bank en aan alle Rijkskantoren. Inwisselbaar in zilver na aankondiging." Near the left hand bottom corner in this square one reads "Geregistreerd De Agent van het Ministerie van Financien": followed by a signature. The right hand bottom corner of this square has been provided with the date of issue, followed by the words "De Minister van Financien" whereunder a signature.

*Particulars of back*

The figure 1 is prominently displayed in the four corners. A square in the center of this note has been provided with the Netherlands coat of arms, lions pendant. In the left hand top corner of this square one reads "Wettig betaalmiddel" in the right hand top corner "Koninkrijk der Nederlanden." Under the coat of arms the statement re counterfeiting appears, reading "Het namaken of vervalschen van zilverbons met het oogmerk om die als echt en onvervalscht uit te geven of te doen uitgeven wordt gestraft met genagenisstraf van ten hoogste negen jaren."

"Denomination: Fl. 2.50 (Zilverbon)."

Size:  $5\frac{1}{4}$ " by  $2\frac{13}{16}$ ".

Color: Front: Blue. Back: Blue and light brown.

*Particulars of front*

Near the left hand edge of this note in the center the amount in figures is clearly visible, whereas it again appears in the right hand bottom corner. In a white square in the center of this note one observes near the left hand top corner the word "Serie," followed by the serial letters. The right hand top corner has been provided with the serial number. Faintly visible in the center of this square one can distinguish the amount in figures, superimposed on which one reads "Wettig betaalmiddel Koninkrijk der Nederlanden Zilverbon Groot Twee en een halve gulden Wordt ter betaling aangenomen door de Nederlandsche Bank en aan alle Rijkskantoren. Inwisselbaar in zilver na aankondiging." Near the left hand bottom corner in this square one reads "Geregistreerd De Agent van het Ministerie van Financien," followed by a signature. The right hand bottom corner of this square has been provided with the date of issue, followed by the words "De Minister van Financien," whereunder a signature.

*Particulars of back*

Two blank squares of the same size are shown on the right- and left-hand side of this note. In between these two squares 2 circles are shown containing the words "Koninkrijk der Nederlanden Wettig Betaalmiddel." Four times around the circles the amount in figures is shown. In a square, the four corners of which touch the inner circle,

the statement re counterfeiting reading "Ret namaken of vervalschen van zilverbon s met het oogmerk om die als echt en onvervalscht uit te geven of te doen uitgeven wordt gestraft met gevangenisstraf van ten hoogste negen" has been printed.

Denomination: Fl. 60.

Size:  $6\frac{7}{8}$ " by  $3\frac{1}{4}$ ".

Color: Front: Brown. Back: Brown and grey.

#### *Particulars of front*

The figure 60 appears in the four corners of the note printed in light brown in a darker brown circle. Between the two amounts in figures on the left appears a small picture of Hermes in sitting position whereas the same space on the right has been provided with a sailing vessel. The center of this note shown the words "De Nederlandsche Bank betaalt aan toonder zestig gulden" above which appears a small picture of a man's head. To the left and right of this picture one can faintly distinguish the words "Ned Bank." An old-fashioned picture of a canal with boats, a bridge, and houses appears at the bottom.

#### *Particulars of back*

In the center of this note one observes a picture showing several buildings along a canal with barges tied to the quay. Above this picture one can faintly distinguish the words "Ned Bank," superimposed on which the serial number has been printed whereas this number is also shown in the two bottom corners. The two top corners have been provided with the amount in figures whereunder the place and date of issue have been printed. The statement re counterfeiting reading "Wetboek van Strafrecht. Artikel 232. Het in voorraad hebben of binnen het Rijk in Europa invoeren van valsche Nederlandsche Bankbiljetten met het oogmerk om ze als echt uit te geven wordt gestraft met gevangenisstraf van ten hoogste zeven jaren" is shown under the picture.

NOTE.—Sixty guilder notes described above should be exchanged for other notes at the Nederlandsche Bank. Failing that, it has been arranged that the Currency Section will receive them and turn them over to the Netherlands Military Administration. Other valid notes will be substituted for them."

m. Par. 4 c (1), Section VI, is further amended to include:

"Currency Section for Germany has furnished the following description of Simplified Reichsbank notes in certain denominations found in circulation:

#### *Issues affected:*

MKs 10)

MKs 20) dated 22 January 1929

MKs 50) dated 30 March 1933

MKs 100) dated 24 June 1935

#### *Differences to be observed:*

Watermark in the form of a head is now replaced by following longitudinal watermarks, of approximately the same width as the left hand clear margin:

10 MK—Note—Tulip design

20 MK—Note—Chain design

50 MK—Note—Oakleaf design

100 MK—Note—Chain of flowers

*Differences to be observed—Continued*

Issue Control stamp, identification letter, and the numbers on the reverse of each note have been omitted.

The method of printing has been simplified.

*Similarities to present Reichbank notes.*

Size, text, and colored threads of the new notes correspond to those of the present Reichsbank notes in circulation."

"Description of another type of 20 Reichsmark note is furnished below for information purposes only:

"A new type of Rm 20 Reichsbanknote bearing the decree date of 15 June 1939 and the issue date of 16 June 1939 has recently been uncovered in certain areas now occupied by Allied troops.

"In appearance, the note differs considerably from Rm 20 note in general circulation, which bears the decree date 30 August 1924.

"The principal differences are as follows:

"On the front, instead of a circular portrait head, there is a representation, in a rectangular frame, of the head and shoulders of an "idealised" Nordic young woman holding a flower in her hand. Her head alone, this time in a circular frame, constitutes the watermark of the left hand margin.

"The Reichsbank seal is still further modified, in that the eagle, standing on a swastika as in the 5 Rm issue, now has narrow horizontal wings as in a pilot's badge.

"A light blue swastika, nearly one inch square, is in the center of the note. This swastika has previously only been found on the Rm 100 issue of June 1935.

"The Issue Control Stamp is omitted.

"On the reverse appears a rectangular picture of mountains rising steeply from a sheet of water, of Alpine or Norwegian character. On one side of this picture, outside its frame, is a man carrying a wood-cutter's axe, and on the other side a man sowing seed.

"The only signature on the note is that of the Reichsbank President, Dr. Funk, and not those of the Reichsbank—direktorium as in all other issues except the Rm 5 notes issued under the same decree of 15 June 1939.

"From information received from an official of the Reichsbank at Frankfurt on Main, it appears that these notes were printed in 1939 in Vienna by the Austrian State Press at the instigation of Dr. Funk, in commemoration of the Austrian Anschluss. They were known as 'Weinerscheins' but were not issued at the time for technical reasons. He stated that on March 1, 1945, however, withdrawals from the German Banks became so great that the Reichsbank was forced to issue these notes because of shortage of small denomination notes."

n. Third and fourth sentences of paragraph 4f, Section VI are rescinded and the following is substituted:

"Finance officers will not disburse or accept German issue currency in any denomination, or other currencies in higher denominations than those specified in paragraph 1, except as authorized in directive, this headquarters, AG 123 OpGA entitled 'Possession by Military Personnel of German Indigenous Currency in any Denomination or of Other Continental Currency Notes which Exceed Certain Denominations,' dated 19 April 1945."

o. New par 4 h is added to Sec VI reading:

"h. (1) It has been learned that the Russians are using Allied Military Mark Notes which are understood to be printed from plates supplied by the United States. The notes are therefore similar to those used by the U. S. Army. SHAEF has furnished the following comparison of serial numbers, and it will be noted that there is an overlapping of the numbers between the Russian and U. S. printings:

Denomination in Marks	Last Serial No. of U. S. Printing	First Serial No. of Russian Printing
14.....	75,448,000	50,000,001
1.....	114,290,000	75,000,001
5.....	75,800,000	50,000,001
10.....	77,800,000	50,000,001
20.....	75,614,000	50,000,001
50.....	61,120,000	40,000,001
100.....	48,081,000	35,000,001
1,000.....	4,532,000	25,000,001

Russian issue may be distinguished by a dash preceding the serial number, without zero as first digit.

"(2) Finance officers should follow the present procedure of making conversions within amounts received as pay and allowances and transmission of funds will be in accordance with letter, Headquarters, European Theater of Operations, 15 March 1945, subject: 'Currency Secured from Unlawful Sources.' Russian issue Allied Military Marks will be considered as legal tender and will be accepted in reasonable amounts in denominations not exceeding 100 marks. No German indigenous currency will be accepted.

p New Par. 10 is added to Sec. VI reading:

"10. *Austrian Currency*

a. Allied Military schillings are being put into circulation in Austria in the following denominations:

- $\frac{1}{2}$  schilling (50 groschen)
- 1 schilling
- 2 schillings
- 5 schillings
- 10 schillings
- 20 schillings
- 50 schillings
- 100 schillings

b. Finance officers will disburse and accept only Allied Military schillings and not Austrian indigenous currency."

q. New Par 5 c is added to Sec VI reading:

"c. *Description of New Type Bank of France Notes. Notes of 5,000 Francs: Bank of France Note.*

This note symbolizes the "French Empire."

*On the face:* The image of Metropolitan France is expressed on the features of a young woman, surrounded by three types of natives symbolising parts of the Empire. The value in figures appears in the top left and right hand corners of the note with control numbers immediately below them. The value in words appears below the negroid character. The note is printed in four colors and there is a border of flowers and foliage. Behind the four characters are four tri-color

flags. Facsimile signatures of the Controleur General, Secretaire General and Caissier General appear on this note.

*On the back:* In the center is a reproduction of a character representing the mother country and on each side a marine landscape; on the left a view of the Basque Coast, on the right an aspect of the Port of Rabat. The value in figures is printed in the top right and left hand corners. The warning against forgery is below the central figure which has a background of a composition of fruits.

The watermark, when looking at the face of the note, consists of two native heads in profile on the left and the head in profile of a young French girl on the right.

*Notes of 1000 Francs: United States Printing*

The note is printed in green on a foundation of rose.

*On the face:* A profile of the "Republique" wearing the Phrygian cap (Cap of Liberty) inscribed on a green circle, the value of the note in figures is reproduced five times on the whole of the design. Serial numbers are printed in the top right and bottom left hand sides. The value in words appears below the green circle. The note has facsimiles of the signatures of the Chef du Service, Central du Tresor and Le Controleur du Service des Emissions.

*On the back:* The words "Republique Francaise Tresor Central" and the Republican motto "Liberte, Egalite, Fraternite" appear on scrolls across the top of the note. The value in figures is printed in the center with the value in words on each side. The warning against forgery is at the bottom center.

There is no watermark.

*Notes of 1000 Francs: British Printing*

*On the face:* These are similar in appearance and the same size as the larger value Supplemental French Franc notes (Invasion Currency). The value in figures is in the top left and bottom right hand corners, printed in red and also in a cage in the center. The value in words is printed above and below the center cage. Serial numbers are in the top right and bottom left hand corners.

*On the back:* A central medallion containing the Republican motto "Liberte, Egalite, Fraternite" and the word "France" in deep blue on a background of clouds; colors in blue and red radiate from the medallion.

*Notes of 100 Francs and 50 Francs: United States Printing*

These are the same design as the 1000 Franc United States Printing, but the items printed in red on the 1000 franc note are printed in ultramarine and violet on the 100 and 50 franc denominations respectively.

There is no watermark.

*Notes of 500 Francs: British Printing*

The note is printed in reddish brown on a yellowish background.

*On the face:* A head of the "Republique" wearing the Phrygian cap (Cap of Liberty); the value in figures appears in all four corners and on the right hand side of the center. The value in words is spaced across the bottom of the note. The Serial Numbers are printed above the value in figures on the right center and below the head of the "Republique" on the left center.

*On the back:* In the center the sum of 500 in large figures below the motto "Liberte, Egalite, Fraternite". The value in words appears on each side of the value in figures and the warning against forgery below the value in words.

There is no watermark.

*Notes of 300 Francs: Bank of France Note*

*On the face:* On the left, a head of a woman personifying Ceres; to the right three blue and red monogrammes interwoven in the foliage. The value in figures appears in the top right hand corner and in words across the bottom of the note which bears facsimiles of the signatures of the Secrétaire General and Cassier General. The Serial Numbers are in the top right and bottom left hand corner.

*On the back:* A profile of Mercury. Value in figures appears in bottom right hand corner.

The watermark represents the head of a woman in profile.

N. H. COBBS,

*Brigadier General, USA, Fiscal Director.*

HEADQUARTERS

UNITED STATES FORCES

EUROPEAN THEATER

OFFICE OF THE FISCAL DIRECTOR

(Rear)—APO 887  
19 JULY 1915.

CHANGES No. 6, FINANCE CIRCULAR LETTER No. 80

CURRENCY DIRECTIVE

1. Finance Circular Letter No. 80, Office of the Fiscal Director, Headquarters, USFET (REAR), APO 887, dated 22 January 1945 is further amended as indicated:

a. New paragraph 4i is added to Section VI reading:

"i. SHAEF letter, 10 July 1945, subject: 'Disposition of locally Printed Reichsmarks' is quoted for your information and guidance:

"1. A type of locally-produced Reichsmark note has appeared in circulation and the denominations seen to date are notes of 10, 50, and 100 Reichsmarks. Preliminary information received indicates these notes have been issued by the Reichsbank, Salzburg, under a reported general instruction from the Reichsbank, Berlin, that Branches should, in an emergency, make their own arrangements to meet currency demands.

"2. Information is not yet available as to total amount of these notes issued or printed, nor whether other denominations in addition to those listed above have been placed in circulation. 12th Army Air Group has been requested to investigate the matter further. To date a few of these notes have been uncovered on Displaced Persons/Prisoners of War in Belgium and the U. K.

'3. Army Groups are instructed to direct all banks that these notes are not to be re-issued once accepted and in accordance with letter, this headquarters, SHIAEF/G-5/Fin/Fwd/1/5, of 19 May 1915, that all further printings of German currency of any description will cease forthwith. No further locally printed German currency, other than regular Reichsmarks and Rentenmarks, will be placed in circulation.

'4. Brief description of the above listed notes is attached as Appendix 'A'. If such notes come into the hands of the Pay Services, they should be exchanged at a Branch of the Reichsbank.

#### APPENDIX 'A'

Ltr, Supreme Hq AEF

AG 123.7-4 GE-AGM

dated 10 July 1915

#### DESCRIPTION OF LOCALLY PRINTED REICHSBANK NOTES, SALZBURG PRINTING

'1. The notes are a photographic reproduction of

- a. RM 10 note, second issue dated 22 Jan. 1929.
- b. RM 50 note, second issue dated 30 March 1933.
- c. RM 100 note, second issue dated 21 June 1935.

'2. In the case of a. and b. the notes are reproductions of the simplified note, i. e. without the control letter on the face and without the number on the reverse.

'3. The few notes seen so far all bear the number for each denomination as indicated below:

RM 10—No. D.02776733

RM 50—No. E.06647727

RM 100—No. T.7390475

'4. The notes are easily distinguishable from the real note as follows:

- a. In the left hand margin is printed a warning regarding the penalty which might be incurred by forgers, which does not appear on the regular Reichmark notes.
- b. The paper is stiffer than the normal paper.
- c. The notes are quite clearly a photographic reproduction.
- d. A white margin appears around the whole note."

\* \* \* \* \*

N. H. Conns,

N. H. Cobbs,

*Brigadier General, U. S. A.,  
Fiscal Director.*

HEADQUARTERS  
UNITED STATES FORCES  
EUROPEAN THEATER  
OFFICE OF THE FISCAL DIRECTOR

(Rear)—APO 887  
23 JULY 1945

CHANGES NO. 7, FINANCE CIRCULAR LETTER #80

CURRENCY DIRECTIVE

1. Finance Circular Letter No. 80, Office of the Fiscal Director, Headquarters, USFET (REAR) dated 22 January 1945 is amended as indicated:

a. Paragraph 6i, Section I and amendments thereto included in changes 2 and 3 to Finance Circular Letter No. 80 are rescinded and the following is substituted as paragraph 6i:

"i. Letter, Headquarters, European Theater of Operations dated 13 June 1945, subject: 'Currency secured from Unlawful Sources' is quoted for your information and guidance:

1. Letter, this headquarters, file AG 123 x 250.1 OpGA, subject 'Currency Secured from Unlawful Sources', dated 15 March 1945, as amended by letter, this headquarters, same file and subject, dated 2 April 1945, is rescinded.

2. To prevent the securing of funds by military personnel from unlawful sources, including captured enemy currency, barter with prisoners of war, black market operations and similar methods, commanders of all echelons will take continuing and vigorous steps to:

a. Adequately safeguard all captured enemy currency until turned over to the nearest finance officer for proper disposition.

b. Prevent the securing of currency by US military personnel from prisoners of war by barter or other means.

c. Effect the immediate exchange at official exchange rates of all US and British currency now held by members of the US forces on the continent to French francs or other appropriate continental currency, and to assure themselves, by periodic inspections, that British or US currency which may subsequently come into the possession of military personnel is also disposed of in this manner.

d. Insure that offenders in this category are made the subject of strong disciplinary action.

3. Care will be taken by all concerned that proper and authorized transmission of funds from legitimate sources is not discouraged and that other pertinent aspects of the theater soldiers' savings program are not prejudiced hereby.

4. The above provisions will be brought to the attention of all personnel."

b. Paragraph 6j, Section I is amended to include:

"Attention of all finance officers is invited to paragraph 4 of letter, Headquarters, European Theater of Operations, dated 19 April 1945 quoted in Paragraph 6j, Section I. Acceptance of notes other than

authorized in that letter must have the approval of a General Officer. Requests for acceptance will *not* be referred to Fiscal Director."

\*   \*   \*   \*   \*   \*   \*

N. H. COBBS,  
*Brigadier General, U. S. A.,*  
*Fiscal Director.*

## CURRENCY DIRECTIVE

## HEADQUARTERS

## THEATER SERVICE FORCES

## EUROPEAN THEATER

## OFFICE OF THE FISCAL DIRECTOR

## CHANGES NO. 10, FINANCE CIRCULAR LETTER #80

APO 757 (Main)

12 OCTOBER 1945

1. \* \* \*

"1. Messages, this headquarters, references S-16189, dated 7 August 1945; S-16592, dated 9 August 1945; and S-17234, dated 13 August 1945; are rescinded effective 28 September 1945 and the following substituted therefor.

"2. Until further notice, the transmission of funds which have not been derived from U. S. Official sources to any point outside the theater or conversion of funds which have not been derived from U. S. Official sources, by all personnel in this theater subject to U. S. military law who enjoy the privileges of either the Army or Navy finance or postal facilities or who purchase War Bonds for cash from either Army or Navy agencies, is prohibited. The utilizing for such transmission or conversion means other than those afforded by U. S. Army or Navy Finance officers, Army or Navy war bond officers, or through the Army or Navy postal service is also prohibited.

"3. The provisions of paragraph 2, above, will be implemented as follows:

a. All field grade officers and all civilians who hold assimilated rank of field grade and above, will, prior to every transmission of funds to the U. S. via Army or Navy finance officers, Army or Navy war bond officers or through Army or Navy postal services, execute and submit to the agency concerned the following certificate:

"I certify that these funds sought to be transmitted via (Personal Transfer Account) (Money Order) (War Bond) (et cetera) were derived only from United States official sources."

Such certificate will be legibly signed and the grade, serial number or comparable civilian designation furnished, together with complete address and APO number.

b. All military personnel (excluding officers of field grade and above) and all civilians who have no assimilated rank and those who have assimilated rank up to and including company grade desiring to deposit money in Soldiers Deposits or to transmit funds by personal transfer account, postal money order, or by purchase of war bonds, will submit applications in suitable form to the appropriate commander, who is charged with assuring himself that the funds sought to

be transmitted by the applicants concerned were derived only from U. S. official sources. Such commander is thereafter charged with causing approved applications to be transmitted to the agency responsible for final processing thereof, together with appropriate evidence of such approval.

c. Conversion (exchange) of currencies will be accomplished only by Army or Navy finance officers and under procedures established by the Theater Fiscal Director.

d. Finance, postal and war bond officers are prohibited from accepting any application for transmission (which include instruments payable to the applicant) or conversion unless compliance with the pertinent foregoing provisions has been had.

"4. U. S. official sources, as used herein, are defined as including only monies derived, directly or indirectly, from pay and allowances or monies imported from the zone of interior.

"5. Effective on or about 1 November 1945, a new system of currency control of exchange and transmission of private funds will be established. All personnel are urged to convert accumulated pay and allowances and other money derived from U. S. official sources in excess of current needs, into personal transfer accounts, savings deposits or war bonds during the month of October 1945. It is recommended that all such excess private funds be converted into U. S. dollar instrumentalities by the methods cited rather than held in foreign currencies or deposited or invested in foreign banks or institutions.

"6. It is desired that the foregoing be brought to the attention of all concerned including all civilians and civilian organizations under the jurisdiction of the Army and Navy."

"(2) Under the provisions of par. 3c of letter quoted above, Finance Officers will be governed by the following instructions in making conversions for personnel defined in above-mentioned directive:

(a) Conversions of currently legal tender currency of one country for currency in current use of another country will be made only when amounts presented for conversion by the individual indicate that such amounts were derived from U. S. official sources as defined in the above mentioned USFET directive. Each individual will be required to sign a certificate (in roster form if desired) certifying to the above-mentioned facts. Finance Officers will require the presentation of travel orders, when deemed necessary, to establish authority for possessing certain currencies. If amounts deemed excessive are presented they will not be accepted until an investigation has been made to determine the source of the funds. In such cases a certificate from the individual's commanding officer will be required indicating that the statement of the individual has been investigated and it has been determined that the funds were derived from U. S. official sources.

(b) *Conversion of old issue* currencies into now issues of the same country or into currencies of other countries will only be made when the provisions of present directives on this subject have been met. Current directives specifically relating to conversions of old issue currencies continue in effect and will be followed."

\*     \*     \*     \*     \*

AGAO-P 122.1 (22 Feb. 45) Postal Money Orders.

ARMY POSTAL MONEY ORDERS

The Adjutant General's Office, Washington 25, D. C.  
JFJ-dej-1A478

COMMANDING GENERAL, U. S. FORCES,  
EUROPEAN THEATER OF OPERATIONS,

*APO 887, % Postmaster, New York, New York, 6 March 1945.*

1. Reference is made to an Army postal inspector's report dated 22 February 1945, subject, Payment of Money Orders, copy of which was referred to your headquarters.

2. The recommendation made by the inspector in paragraph 3 thereof is not favorably regarded by the United States Post Office Department due to accounting complications which would arise. Furthermore, the proposal is not regarded favorably by this headquarters since it would open a possible avenue for use of postal money orders for illegal purposes or to secure a black market rate of exchange.

3. It is desired that extensive publicity be given in your theater to the fact that domestic postal money orders are not to be used in transactions with civilian personnel of liberated areas. They are to be cashed only at authorized U. S. military agencies such as APO's and finance offices by personnel authorized to use APO service. These domestic money orders are designed for use only in United States post offices and their branches and stations, and in the conduct of money order business with certain American countries with which money order service is operated on a semidomestic basis.

4. They are not intended for use as negotiable instruments in dealings with the personnel of liberated areas. U. S. domestic postal money orders drawn in favor of military personnel or issued at APO's and subsequently coming into the possession of French civilians cannot be redeemed without protracted negotiations between the individual and the U. S. Government.

5. If considered appropriate, it is suggested that you advise the French Government of the foregoing so that proper publicity may be given this matter in civilian channels.

BY ORDER OF THE SECRETARY OF WAR:

Copy for: Col. D. D. Duggan. Attn.: Major J. F. Baldwin,  
Foreign Fiscal Affairs Branch, 4E437.

R. T. ROCK, *Adjutant General.*

## CURRENCY SECURED FROM UNLAWFUL SOURCES

## HEADQUARTERS

## EUROPEAN THEATER OF OPERATIONS

## UNITED STATES ARMY

RBL/WRJ/wjh

APO 887

15 March 1945

AG 123 x 250.1 OpGA

To: Commanding Generals:

- US Strategic Air Forces in Europe
- Each Army Group
- Communications Zone
- Each Army
- XVIII Corps (Airborne)
- United Kingdom Base, Communications Zone
- European Division, Air Transport Command
- Ground Force Reinforcement Command
- Section Commanders, Communications Zone
- Commanding Officers:
  - European Civil Affairs Division
  - Military Intelligence Service
  - Headquarters Commandant, APO 887

1. Letter, this headquarters, file AG 123 x 250.1 OpJA, subject as above, dated 14 November 1944, is rescinded.

2. To prevent the securing of funds by military personnel from unlawful sources, including captured enemy currency, barter with prisoners of war; black market operations and similar methods, commanders of all echelons will take continuing and vigorous steps to:

a. Adequately safeguard all captured enemy currency until turned over to the nearest finance officer for proper disposition.

b. Prevent the securing of currency by US military personnel from prisoners of war by barter or other means.

c. Effect the immediate exchange at official exchange rates of all US and British currency now held by members of the US forces on the continent to French francs or other appropriate continental currency, and to assure themselves, by periodic inspections, that British or US currency which may subsequently come into the possession of military personnel is also disposed of in this manner.

d. Insure that offenders in this category are made the subject of strong disciplinary action.

8. Until further notice, the transmission by military personnel of funds to any point outside the theater utilizing means other than those afforded by US Army Finance Officers, Army War Bond Officers, or through the Army Postal Service, and except as outlined below, is prohibited.

a. Any person (excluding officers of field grade and above) desiring to transmit funds by PTA, postal money order, or by purchase of war bonds, will first submit application in appropriate form to the unit personnel (or comparable administrative) officer, who will be charged with maintaining a record in respect to each such individual in the unit, indicating the date, amount, and method of every transmittal of funds by such person.

b. Following entry of the pertinent information on the record referred to in a above, the personnel officer will countersign the application as evidence of such entry and return it to the applicant for further processing through regular channels.

c. Unit commanders will examine the unit record of fund transmittals in conjunction with individual deposits entered on WDFD Form No. 33 (Soldier's Deposit Book) and individual records of currency exchanges (see paragraph 4, below) at frequent intervals for the purpose of informing themselves as to the existence of any case in which a person has transmitted, deposited, or exchanged disproportionately large sums of money either in a single transaction or in the aggregate. In such cases, which will include the transmittal and/or deposit by an individual in a single calendar month of an amount in excess of such individual's unencumbered pay, investigation will be made, and, if indicated, appropriate action will be taken.

d. Finance, postal, and war bond officers are prohibited from accepting any applications for transmission of funds by persons defined in a above, unless such applications have been countersigned as provided in b above.

4. Finance officers will make an individual record with respect to each currency exchange transaction of a less valuable for a more valuable currency (viz: up grade conversions, which will be defined from time to time by the Fiscal Director, this headquarters) executed on behalf of any person below commissioned field grade. At the close of business each day, such individual records will be delivered or mailed to the unit commander concerned, for his information and consideration in connection with the unit record of fund transmittals.

5. Care will be taken by all concerned that proper and authorized transmission of funds from legitimate sources is not discouraged and that other pertinent aspects of the theater soldiers' savings program are not prejudiced hereby.

6. The provisions hereof will be brought to the attention of all personnel.

BY COMMAND OF GENERAL EISENHOWER:

R. B. Lovett,  
R. B. LOVETT,  
*Brigadier General, USA, Adjutant General.*

## POSTAL MONEY ORDERS

HEADQUARTERS, EUROPEAN THEATER OF OPERATIONS,  
UNITED STATES ARMY

RBL/WRJ/wjh  
APO 887  
10 April 1945

## AG 122.1 OpGA

To: Commanding Generals:

- US Strategic Air Forces in Europe
- Each Army Group
- Communications Zone
- Each Army
- XVIII Corps (Airborne)
- United Kingdom Base, Communications Zone
- European Division, Air Transport Command
- Ground Force Reinforcement Command
- Section Commanders, Communications Zone
- Commanding Officers:

- European Civil Affairs Division
- Military Intelligence Service
- Headquarters Commandant, APO 887

Paragraphs 3 and 4, letter, War Department, AGAO-P 122.1 (22 Feb. 45), subject as above, dated 6 March 1945, are quoted:

"3. It is desired that extensive publicity be given in your theater to the fact that domestic postal money orders are not to be used in transactions with civilian personnel of liberated areas. They are to be cashed only at authorized U. S. military agencies such as APO's and finance offices by personnel authorized to use APO service. These domestic money orders are designed for use only in United States post offices and their branches and stations, and in the conduct of money order business with certain American countries with which money order service is operated on a semi-domestic basis.

"4. They are not intended for use as negotiable instruments in dealings with the personnel of liberated areas. U. S. domestic postal money orders drawn in favor of military personnel or issued at APO's and subsequently coming into the possession of French civilians cannot be redeemed without protracted negotiations between the individual and the U. S. Government."

BY COMMAND OF GENERAL EISENHOWER:

(S) R. B. LOVETT,  
Brigadier, General, USA,  
Adjutant General.

## MILITARY EXCHANGE RATE FOR GERMAN MARKS

Combined Chiefs of Staff  
Combined Civil Affairs  
Committee Capt. Conger 4567

14 APRIL 1945.

Supreme Headquarters, Allied Expeditionary Force Main Echelon  
Versailles, France

Commanding General Central District United Kingdom Base  
Section London England

British Joint Staff Mission, Washington, D. C.

Number WARX 68351

This is GOV 290.

Provisional Military Exchange rate for German Mark under consideration by CCAC. Reference GOV 110 and GOV 128. Your views requested earliest as to whether your observations to date of general economic conditions, both current and near term future, indicate necessity or advisability of any immediate deviation from present rate from viewpoint of the equitable purchasing power of the Allied soldiers. As to future, in your opinion, what factors or events would seem to require alteration of provisional rate to assure equitable compensation of occupational troops. End.

Footnote: GOV 110 is CM-OUT-28060 (9 Sept 44).

GOV 128 is CM-OUT-43504 (8 Oct 44).

Originator: CCAC.

Information: ASF, CO/S, OPD, G-2, Adm King, Mr McCloy, Bud Div, C of S.

## RATES OF EXCHANGE

Combined Chiefs of Staff.  
Combined Civil Affairs Comm.  
Major Blewer 74608.

18 APRIL 1945.

British Joint Staff Mission, Washington, D. C.

Supreme Headquarters, Allied Expeditionary Forces, Forward Echelon, Rheims, France.

Commanding General, Allied Force Headquarters, Caserta, Italy.

Supreme Headquarters, Allied Expeditionary Forces, Main Echelon, Versailles, France.

Commanding General, United Kingdom Base Section, London, England.

Number: WARX. 69689

GOV 292 to SHAEF Forward for SHGE for action and TAM 527 to Alexander for FHGE for action from CCS cite CCAC repeated information SHAEF Main for SHGE, UK Base Section pass to CCAC/L and SHAEF Rear, repeated AMSSO for BCS; has been repeated to all addresses. Refer FAN 485, TAM 502, VOG 388 and MAT 632.

Exchange rate to be used exclusively for pay of troops and military accounting purposes will be 10 Allied military schillings to 1 United States dollar and 40 Allied military schillings to 1 pound sterling.

Allied military schilling notes will circulate in Austria at rate of 1 schilling equals 1 Reichsmark which State Department advises is rate now being used by Russia in Russian occupied Austria. Rouble schilling rate understood to be 50 kopecks equals 1 schilling. End.

Originator: CCAC.

Information: Gen Somervell; CC/S; Gen Bissell; Adm King; OPD Mr. McCloy; Gen. Richards.

Combined Chiefs of Staff  
Combined Civil Affairs  
Committee, Lt. Col. Hilliard  
73766

7 MAY 1945.

#### SUPPLIES GERMAN MARK CURRENCY

Supreme Headquarters, Allied Expeditionary Force, Forward Echelon Rheims, France.

Commanding General, United Kingdom Base Section, London, England.

British Joint Staff Mission, Washington, D. C.

Number: WARX 79073.

This is GOV 322.

1. View tight situation relative currency production facilities your estimate needs if any for additional supplies AM mark currency requested well in advance date required. Allowance should be made for period approximately 4 months between date your orders placed for additional AM mark currency and first delivery to you.

2. Your views requested likelihood early need for production outside Germany mark currency. Have you ascertained whether currency printing plants in Germany intact? Are materials available production mark currency by Germans? End.

Originator: CCAC.

Information: ASF.

CCS.

OPD.

G-2.

Adm. King.

Mr. McCloy.

Bud Div.

#### CONTROL COUNCIL FISCAL POLICIES

DIRECTIVE TO COMMANDER IN CHIEF OF U. S. FORCES OF OCCUPATION  
REGARDING THE MILITARY GOVERNMENT OF GERMANY

OPD, WDGS

OPD 014.1 TS (14 May 45)  
Director, CAD

15 May 45  
Lt. Col. Smith 2124

1. By informal action, 12 May 1945, the Joint Chiefs of Staff approved the recommendation in JCS 1067/8.

2. The directive in the enclosure to JCS 1067/6, as amended by the enclosure to JCS 1067/8, has been approved by the PRESIDENT.

3. By memoranda, copies of JCS 1067/6 JCS 1067/7 and JCS 1067/8 have been furnished CG, ETOUSA, for appropriate action and CG, MTOUSA, CG, USMM to USSR, and Lt. Gen. Lucius D. Clay for information.

4. It is requested that copies Nos. 106 JCS 1067/6 and 107 JCS 1067/6; Nos. 79 JCS 1067/7 and 80 JCS 1067/7; and copies Nos. 101 JCS 1067/8 and 102 JCS 1067/8, provided herewith, be transmitted by special air courier to the Military Advisers to the U. S. Representative, EAC, for their information.

5. The attached copy No. 108 JCS 1067/6, No. 81 JCS 1067/7, and No. 103 JCS 1067/8 are furnished for your information.

For the Assistant Chief of Staff, OPD:

(sgd) F. W. SLADEN, Jr.,  
Colonel, GSC.

DON Z. ZIMMERMAN,  
Colonel, GSC,  
Chief, Policy Section.

#### EXTRACT

J. C. S. 1067/6  
26 April 1945

#### JOINT CHIEFS OF STAFF

#### DIRECTIVE TO COMMANDER IN CHIEF OF U. S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

#### PART III

#### Financial

44. You will make full application in the financial field of the principles stated elsewhere in this directive and you will endeavor to have the Control Council adopt uniform financial policies necessary to carry out the purposes stated in paragraphs 4 and 5 of this directive. You will take no steps designed to maintain, strengthen or operate the German financial structure except insofar as may be necessary for the purposes specified in this directive.

45. The Control Council should regulate and control to the extent required for the purposes set forth in paragraphs 4 and 5 the issue and volume of currency and the extension of credit in Germany and in accordance with the following principles:

a. United States forces and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichskreditkassenscheine and other German military currency will not be legal tender in Germany.

b. The Reichsbank, the Rentenbank or any other bank or agency may be permitted or required to issue bank notes and currency which will be legal tender; without such authorization no Ger-

man governmental or private bank or agency will be permitted to issue bank notes or currency.

c. The German authorities may be required to make available Reichsmark currency or credits free of cost and in amounts sufficient to meet all the expenses of the forces of occupation, including the cost of Allied Military Government and including to the extent that compensation is made therefor, the cost of such private property as may be requisitioned, seized, or otherwise acquired, by Allied authorities for reparations or restitution purposes.

Pending agreement in the Control Council you will follow these policies in your own zone.

You will receive separate instructions relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available, or if the use of such currency is found undesirable.

You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on the one hand and the U. S. dollar and other currencies on the other. However, a rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be communicated separately to you.

#### NOTGELD OR EMERGENCY CURRENCY

From: Supreme Headquarters, Allied Expeditionary Forces, Forward, Rheims, France

To: War Department

Nr: FWD 22298 VOG 456 24 May 1945

AGWAR for Combined Chiefs of Staff repeat for information to AMSSO for British Chiefs of Staff; SHAEF Main for G-5 signed Eisenhower this is VOG 456 FWD 22298.

1. Due to actual or anticipated local currency shortages, particularly in small denominations, Reichsbank Branch officials, notably in Emden and Fallengbostel, acting under orders purported to have been issued from Berlin and with the approval of local civil officials, have printed and placed in circulation small sums of "Notgeld" or emergency currency.

2. Army groups have been instructed that additional printings of emergency currency are not to be permitted. The small amounts now in circulation will be withdrawn as it flows into the banks. We consider it unnecessary to effect immediate withdrawal by means of a public notice establishing a dead-line, particularly as shortages of small denominations are from time to time reported locally. So far the shortages have been only temporary.

End.

Action: CCAC.

Info: CC/S, ASF, OPD, G-2, Adm King, Mr. McCloy, Budget Division.

## DISTRIBUTION OF RUSSIAN PRINTED MARKS

From: Supreme Headquarters, Allied Expeditionary Forces, Forward, Rheims, France

To: War Department

No: FWD 22319 VOG 457 24 May 1945

FWD 22319 AGWAR for CCS rpt for info to SHAEF Main for G-5; CG 12 Army Group; C-INA 21 Army Group; AMSSO for British Chiefs of Staff signed Eisenhower. This is VOG 457.

1. Reports from field state:

A. Russians distribute Allied military marks printed by them from plates furnished by US, to their troops without accountability, without regard to scales of troop pay and in any quantities troops request. Such AMM distributed by handful with rations.

B. Difficult, if not impossible, to tell our AMM from Russian printings, although in some cases paper, ink, and a dash printed near the serial number permit distinction.

C. Despite barrier between US/USSR zones, our troops are receiving large quantities of Russian AMM from Russian troops, civilians, and displaced persons, for cigarettes, candy, and even gratis. Where possible attempts to remit dollars to US have been stopped if AMM presented can be distinguished.

2. Investigations continuing. Will report further but whole monetary program endangered. Other policies threatened.

End.

Action: CCAC

Info: CC/S, ASF, OPD, G-2, Adm King, Mr McCloy, C of S.

## RUSSIAN ALLIED MILITARY MARKS IN AMERICAN ZONE

From: Supreme Headquarters Allied Expeditionary Forces Forward, Frankfurt, Germany

To: War Department

Supreme Headquarters Allied Expeditionary Forces, Main, Versailles, France

Special Officer Signal Ministry London, England

Headquarters Communications Zone European Theater of Operations, US Army, Paris, France

CG 6th Army Group, Main, Vittel, France

CG 21st Army Group, France

CG 12th Army Group, Main

Nr: FWD 22847 VOG 461 31 May 1945

FWD 22847 AGWAR for Combined Chiefs of Staff repeat for info to SHAEF Main for G-5; CG 12th Army Group; CG 6th Army Group; C in C 21st Army Group; AMSSO for British Chiefs of Staff; CG ETOUSA for Fiscal Director *sgd Eisenhower* ref VOG 457. This is VOG 461.

1. Investigation discloses reports from US Army Finance Officers referred to in VOG 457 are without foundation only very small amounts of Russian Allied military marks have been received in American areas by Finance Department Officers.

2. All Allied military marks of Russian origin appear to be paid to troops at the rate of two marks for one ruble and only in accordance with rates of pay of various ranks. Strict accountability and records are kept. All Russian printed Allied military marks have a dash in front of the serial number.

8. Russians have issued Allied military marks in denominations of 1000, 100, 50, 20 and one but have not issued  $\frac{1}{2}$  Reichsmark notes.

4. No counterfeiting of Allied military marks has yet come to light.

End.

Action: CCAC

Info : CC/S, ASF, OPD, G-2, Adm King, Mr. McCloy, Budget Div, C of S.

#### REDEMPTION OF REICHSMARKS

From: ETOUSA Signed Eisenhower

To for action: AGWAR

For info: SHAEF MAIN

Ref. No.: EX-48775 24th May 1945

Re your radio W-81923.

Assigned to temporary duty with G-1 Headquarters ETOUSA is Colonel PFORXHEIMER.

Part I. Present emphasis complete tax abatement and amusement centers. SCRIEB presents many problems requiring careful study.

Part II. Reichsmark lootings subsiding with combat operations ended. Controversy stems from army fiscal operating problem of not redeeming illegally acquired reichsmarks versus G-5 problem of maintaining parity between AM mark and reichsmark for psychological effect upon German population. Suggest proposed amendment to War Department circular 364/1944 relative mark redemption be deferred until arrival there this week Colonel BERNSTEIN G-5 SHAEF and receipt by air courier or communication from fiscal outlining their views. New problem is that Russians, using their printings of identical AM marks, are giving same to United States troops in GERMANY as gifts. Checking amounts involved. It is reported Russians are issuing AM marks to their troops in large quantities with rations and they place little value on them.

Part III. Field negotiations with Czechs resulted temporary military rate 100 crowns equal 1 dollar. Fiscal has acquired 250,000,000 crowns this rate.

Part IV. Preliminary discussions indicate SHAEF Currency Sections also endeavoring reducing army balances Allied currencies. French franc returns will start after 4 June. Suggesting advances Belgian francs to cover LUXEMBOURG steel contracts be a credit to United States Army on SHAEF books and SHAEF will settle with Belgians ex army. Working NETHERLANDS.

Part V. Reference W-80700 fiscal had assumed full 150,000,000 dollars being shipped. However War Department authorization 50,000,000 yellow seals now being shipped by United States Treasury plus yellow seals available here will suffice provided United States

Treasury can start delivery by 20 June of fixed denomination treasury checks in bearer from requiring only issuer's signature at time of issuance with space for issuer's countersignature when cashing check which should also bear legend substantially as follows—"Negotiable outside Continental United States only at United States Finance Offices." Fiscal sending concurrent radio specifying demonstrations and quantities required which please expedite. Use of these checks preferable to procedures outlined W-78112, will conform theater redeployment plan and reduce liquid cash in hands returning troops.

Action: G-5

Information: SGS

G-1

AG Records

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INDIGENOUS GERMAN CURRENCY  
HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY  
OFFICE OF THE FISCAL DIRECTOR  
APO 887

FD 003 (G)

25 MAY 1945.

To: Major General George J. Richards, GSC, Budget Officer for the War Department, Washington 25, D. C.

1. Attached are copies of communications which form the background for the present theater directive prohibiting the disbursement or acceptance of German indigenous currency by officers handling official or quasi-official funds.

2. It is understood that Colonel Bernstein will present the G-5 SHAEF viewpoint to you very shortly.

3. It is hoped that the other side of the question as presented in the attached file will be given due consideration.

N. H. Cobbs,

N. H. COBBS,

*Brigadier General, USA, Fiscal Director.*

Incls.: As stated above.

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To: 1. G-1 thru Chief, Army Exchange Service, APO 887

From: OFD

Date: 10 Mar 1945

Subject: Book message. FD 311.22

For approval, prior to transmission.

(s/t) N. H. COBBS,

*Brigadier General, USA,*

*Fiscal Director.*

Incl. Book Message to—  
 (20) C. Generals and  
 (4) C. Officers.  
 To: 2. OFD  
 From: C/AES  
 Date: 10 Mar  
 Concur.

(s/t) R. J. MARSHBURN,  
*Colonel, AUS,*  
*C/Army Exchange Service.*

To: 3. G-5 SHAEF  
 From: G-1 ETOUSA  
 Date: 15 Mar 1945

1. Attention is invited to cable R-59066 from CG, Advance Section, Com Z to ETOUSA; to IRS from Fiscal Director, Advance Section, Com Z to the Fiscal Director; and to contemplated action as indicated by proposed cable to all units in the theater.

2. Your comment and/or concurrency are requested.

For the AC of S, G-1.

4 Incls:

#1—Proposed cable.

#2—Cable from Adv Sec, Com Z.

#3—IRS, Fiscal Officer, Adv Sec, Com Z.

#4—Ltr, this hq, AG 121 OpGA, subject: "Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations", dated 22 Nov 1944.

*COPY:* Coordinated Route Slip, SHAEF, File No. SHAEF/G-5/FIN/17/4, subject: Book Message, dated 28 March 1945.

From 4. DACOS G-5 SHAEF.

To: ACOS G-1 ETOUSA.

Date: 18 Mar 1945.

1. It is believed that the proposed cable should not be sent since it may influence the development of a disparity in the value between Reichsmarks and Allied Military Marks, contrary to the intent of Law No. 51 issued by Military Government. It is believed that the problem described in the attached papers ought to be dealt with through controlling remittances of all currency used in Germany by Military personnel. See for example, Memo dated 15 March 1945 on the subject "Currency Secured from Unlawful Sources". File No. AG 123 x 259.1 OpGA. The problem of dealing with troops who acquire money unlawfully should also be the subject of disciplinary action as proposed by G-1.

FRANK J. MOSHERRY,  
*Brigadier General, Deputy Assistant,*  
*Chief of Staff G-5 Division.*

BB/b

(G-1 concurs Ray Adams Lt Col GSC Asst G-1.)

To DC/S ETOUSA

From: G-1

Date: 2 Apr. 1915

Subject: German Indigenous Currency. WRJ/2147

#### I. DISCUSSION

1. *a.* Par 2*b* (2), letter, this headquarters, file AG 121 OpGA, subject: "Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations," dated 22 Nov. 1944 (tab A), recognizes that military personnel may legally have in their possession German-issue "Reichsmarks" and "Rentenmarks" of *less* than 100 denomination *lawfully received only as change from payments for commodities or services.*

*b.* The Commanding General, Advance Section, Communications Zone, in cable R-59066 (tab B) states, in substance, that the Fiscal Officer of his headquarters has accumulated \$52,870.00 worth of such marks from finance officers of the First and Ninth Armies; that these marks were accepted by division finance officers prior to the Roer crossing, which precludes possibility of "lawful" acquisition; that the nonfraternization policy and current restrictions of military personnel continue to preclude possibility of lawful acquisition; that it has been reliably reported that various sums of indigenous marks are being found in the cash registers of abandoned shops and in deserted homes of German villages; that all such currency is retained by military personnel as personal property; and that present restriction as to denomination acceptable by finance officers is easily circumvented by the simple expedient of exchanging large denominations for small ones through civilians or German banks. He recommends, therefore, that a directive be issued prohibiting acceptance by Army finance or postal officers of any indigenous marks, and, as further justification of such recommendation, points out that the ample supply of Allied military marks in all denominations in the possession of finance officers nullifies the premise that acceptance of indigenous marks is necessary because military personnel receive such native currency as change for large denomination Allied military marks.

*c.* In view of the above, the Fiscal Director, this headquarters, in Note 1 proposed dispatch of cable (tab C).

*d.* The Assistant Chief of Staff, G-5, Supreme Headquarters, Allied Expeditionary Forces, to whom the matter was referred by G-1, this headquarters, for comment and/or concurrence, does not view such proposed action with favor (see preceding C/N) since he believes that it might cause the development of a disparity in the value between Reichsmarks and Allied military marks contrary to the intent of Law No. 51 issued by Military Government. He recommends instead that the problem in question be dealt with through controlling remittances of all currency used in Germany by military personnel, as presently provided in letter, this headquarters, AG 123x250.1 OpGA, subject: "Currency Secured from Unlawful Sources", dated 15 Mar. 1945 (tab D).

2. *a.* It is felt that this problem must be considered from a practical standpoint. Attention is invited to these considerations:

"(1) How the proposed prohibition of acceptance of German-issue currency in any denomination will cause the "development of a disparity in the value between Reichsmarks and Allied military marks" is not readily apparent since Par. 4 of the current applicable directive (tab A) already forbids acceptance of German indigenous money in all except the smallest denominations.

(2) It is obvious from the amounts of native German marks now being accepted for exchange and other transactions by finance officers, postal officers, etc., in the denominations authorized by the directive referred to in Par 1a above (tab A) and in view of the factors mentioned in Par 1b above, that little or none of such currency is "lawfully received only as change from payments for commodities or services."

(3) The Army, by accepting such German indigenous currency, is, in effect, paying the military personnel involved a material and entirely unintentional bonus.

(4) This headquarters, by reason of the existing provision cited in Par. 1a above, is placed in the untenable position of, on the one hand, denouncing all forms of black market activities and providing for disciplinary action in such cases, and, on the other hand, facilitating such operations by allowing certain funds patently secured from unlawful sources, to be exchanged or otherwise transacted by its agencies.

(5) Attention is invited to letter (tab E) and to cable K-20715 (tab F) in which the Commanding Generals of the Third and Ninth Armies both recommend action substantially as recommended in C/N 1, and to copy of letter (tab G) published by Headquarters Seventh Army prohibiting the acceptance by finance officers under the jurisdiction of that headquarters, of all German indigenous currency.

b. In view of the foregoing, it is believed that the necessity for taking action substantially as recommended by the Fiscal Director is apparent, but is further believed that such action would be more appropriately effectuated by revision of letter, this headquarters (tab A), substantially as per draft (tab H).

## II. ACTION RECOMMENDED

1. That publication of letter (tab H) be approved.
2. That these papers be returned to G-1 for further action.

AC of S, G-1.

To: 6. G-1

From: SGS

Date: 5 Apr 45

Deputy Chief of Staff directed return of this correspondence for "further consideration in view of SHAEF G-5 and G-1 nonconcurrency."

F. A. M.

To: 7. G-1 ETO

From: Hq 12 A. G.

Concur.

J. J. O. H., G-1 12 A. G.

To: AG thru DC/S  
 From: G-1  
 Date: 14 April 1945  
 Subject: SHS/2091

## I. DISCUSSION

1. This matter has been restudied in view of divergent opinions expressed. The matter has been presented to the AC of S, G-1 of the Twelfth Army Group who had concurred for his headquarters, Note 7 above. As there is only one US Army in the Sixth Army Group it may be assumed that the present prohibition already published by the Seventh Army (Tab "G") will continue to be controlling. G-5 of the Sixth Army Group concurs with G-5 of SHAEF, however.

2. It is believed that this matter is essentially one of fiscal, currency control, soldier savings and discipline rather than one of civil affairs. For that reason it is believed the G-1 views should be controlling, particularly in view of the strong representations made by Advance Section and three of the Armies.

## II. ACTION RECOMMENDED

1. Approval of action as recommended in Note 5 above.

AC of S, G-1.

To: AG Opns  
 From: DC/S  
 Date: 16 April

Approved as recommended in Note 5.

## Hq Cz ETOUSA OUTGOING MESSAGE

Hq From: ETOUSA.

Date: 10 March 1945.

Action to: See below.

Info to: (This cable was not dispatched, see C/N #4, attached.)

Ref. No.:

Classification: Confidential.

## COMMANDING GENERALS:

- (1) U. S. STRATEGIC AIR FORCES IN EUROPE.
- (2) SIXTH ARMY GROUP.
- (3) TWELFTH ARMY GROUP.
- (4) COMMUNICATION ZONE.
- (5) FIRST U. S. ARMY.
- (6) THIRD U. S. ARMY.
- (7) SEVENTH U. S. ARMY.
- (8) NINTH U. S. ARMY.
- (9) FIFTEENTH U. S. ARMY.
- (10) XVIII CORPS (AIRBORNE).
- (11) UNITED KINGDOM BASE, COMMUNICATION ZONE.
- (12) EUROPEAN DIVISION, AIR TRANSPORT COMMAND.
- (13) GROUND FORCE, REINFORCEMENT COMMAND.
- (14) ADVANCE SECTION.
- (15) CHANNEL BASE SECTION.

- (16) OISE SECTION.
- (17) CONTINENTAL ADVANCE SECTION.
- (18) DELTA BASE SECTION.
- (19) NORMANDY BASE SECTION.
- (20) SEINE SECTION.

## COMMANDING OFFICERS:

- (21) EUROPEAN CIVIL AFFAIRS DIVISION.
- (22) MILITARY INTELLIGENCE SERVICE.
- (23) HEADQUARTERS COMMANDANT APO 887.
- (24) HEADQUARTERS COMMANDANT, SUPREME HEADQUARTERS ALLIED EXPEDITIONARY FORCES.

## BOOK MESSAGE

Until further notice finance officers, CMA war bond officers, CMA postal officers, CMA post exchange officers or any other personnel handling official or quasi official funds will not issue (signed Eisenhower) or accept indigenous German currency in any amount or denomination. PD advise all under your jurisdiction.

Staff Distribution: OFD (1), AG Mil Pers (1), G-1 (1), AG Postal (1), Army Exch Serv (1), SGS (1).

Coordinated with:

Originating Section Precedence: Fiscal Division, priority.

Name and Rank Typed: N. H. COBBS, Brig. Gen., USA.

Tel. No. 2417.

Necessary Staff Coordination has been accomplished.

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Authenticating Signature  
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To: 1. G-1.

From: Sec'y, General Staff.

Date: 17 May 1945.

Subject: Currency in Germany: Discrimination between Allied Military Marks and Reichsmarks: ETOUSA Order, 19 April 1945, AG 123 OpGa.

For necessary action and preparation of reply for signature of General LEE.

(s) G. K. Withers

(t) G. K. WITHERS

Colonel, GSO.

Secretary, General Staff.

Incl: Ltr fr Lt. Gen. W. B. SMITH to Gen. LEE, subj as above.

To: 2. FD, Attn: Gen Cobbs

From: G-1, ETOUSA.

Date: 18 May 1945.

1. Attention is invited to basic communication, preceding C/N and to attached file.

2. Your comments are requested.

To: 3. G-1 Attn: Colonel Franey.

From: OFD. (XXXXXX)

Date: 22 May 1945.

1. On 10 March 1945 this office originated the request that a Theater directive be issued prohibiting finance and other officers handling

official funds from accepting any German indigenous currency because it was known that prior to the publication of the present directive large amounts of German indigenous currency were being exchanged at finance offices and U. S. postal offices by military personnel which could not have been acquired legally. The practice was costing the U. S. Government enormous sums, and soldiers were increasing their incomes in sizable figures, through acceptance by finance and postal officers of illegally acquired currency. At the time this recommendation was made this headquarters was aware of all information contained in Tab "B" as well as the conditions leading up to the issuance by the Seventh U. S. Army of the instructions contained in Tab "G."

2. The proposed TWX was referred to G-5, SHAEF for an expression of an opinion by action three of Tab "H." G-5, SHAEF recommended against issuance of such instructions by action four of Tab "H." I personally had discussions with Brigadier Babington-Smith and Colonel Bernstein, both of G-5, SHAEF, and they advised me that they would not approve it. Prior to the return of this paper to this headquarters on 29 March 1945, by G-5 SHAEF, a letter was received from the Commanding General, Third U. S. Army, strongly urging that personnel under military control be prohibited from using German currency in all denominations for transactions through finance or postal installations. Similar recommendations were made in cable, 25 March 1945, from the Commanding General, Ninth U. S. Army, and cable contained in Tab "B," dated 13 March 1945 from the Commanding General, ADSEC. Copy of directive issued by the Commanding General, Seventh U. S. Army, on 21 March 1945, Tab "G," prohibiting the acceptance of German indigenous currency by finance and postal officers was also received.

3. After submission of the original draft on 10 March 1945 this office was never informed as to any action that was being taken, except that we were advised that G-5 SHAEF had not concurred in the publication of such an order.

4. Upon receipt of the urgent requests to disallow the acceptance of German indigenous currency by finance and postal officers from the above listed Commanders, G-1 initiated action eight on Tab "H", re-studying the entire matter. This was without any knowledge of this office. Conclusions were that the matter was "essentially one of fiscal, currency control, soldiers' savings and discipline, rather than of civil affairs" and for that reason it was believed that G-1 should be controlling, particularly in view of the strong exceptions made by ADSEC and the Armies. This was approved by the then Deputy Chief of Staff, European Theater of Operations, and letter, 19 April 1945, was published on that authority.

5. It is suggested that a letter substantially as follows be addressed to the Supreme Commander:

"1. Receipt is acknowledged of your letter of 16 May 1945, subject: 'Currency in Germany: Discrimination between Allied Military Marks and Reichsmarks: ETOUSA Order, 19 Apr 45, AG 123 OpGa'.

"2. Vigorous protests against acceptance of indigenous German currency were received from the Commanding Generals of Third and Ninth Armies and ADSEC, and Seventh Army had taken action to prohibit it. Commanding General, Twelfth Army Group concurred

in proposal prohibiting use of German Indigenous currency. Copies of these actions are inclosures 1 to 5.\*

"3. The result of accepting indigenous German currency opened the gates for persons who had such currency illegally acquired, to increase their pay at the expense of the United States. Certainly it is better to protect the interest of our own government than that of a defeated enemy.

"4. I cannot agree that the action taken contravenes any provision of Military Government Law #51, as that was interpreted, and I think correctly, as governing the German people, and not the American Army in placing any restrictions necessary to protect the interest of the United States.

"5. The influence of this action in making the Germans suspicious of the value of the Reichsmark is negligible as the value of all German currency has collapsed in relation with other currencies, and for the United States to try to support it in relation to the Allied Military Mark at the expense of the United States would appear to be contrary to the best interests of the United States regardless of the effect on the German indigenous currency. No information has been received that the conditions exist as enumerated in paragraph 4 of your letter.

"6. The whole matter was considered as strictly fiscal, currency control and disciplinary rather than one for civil affairs, and the action taken was necessary for command purposes."

N. H. COBBS,

*Brigadier General, U. S. A., Fiscal Director.*

\*Note: Incls 1 to 5 will be copies of communications to which reference is made.

Incls: N/C

SUPREME HEADQUARTERS,  
ALLIED EXPEDITIONARY FORCES,  
OFFICE OF THE CHIEF OF STAFF,

16 May 1945

Subject: Currency in Germany: Discrimination between Allied Military Marks and Reichmarks: ETOUSA Order, 19 Apr 45, AG 123 OpGa.

To: Lt. General John C. H. Lee, Commanding General, Communications Zone.

Your order dated 19 April 1945, reference AG 123 OpGa, subject Possession by Military Personnel of German Indigenous Currency in any Denomination or of Other Continental Currency Notes which Exceed Certain Denominations, which became effective 1 May 1945, has been called to our attention.

According to paragraph 3 thereof, US Military Personnel are in effect warned against possessing any German issue currency whatsoever.

This is clearly a discrimination between Allied Military Marks and Reichmarks and contravenes the provisions of Military Government Law No. 51, Article I, Paragraphs 2 and 3.

We are informed by Army Groups that troops naturally refuse to accept any Reichsmarks, whether received in change on purchases or otherwise; that their demands for change in Allied Military Marks is creating a demand for such currency by the Germans; and further that such discrimination is making the Germans suspicious of the value of Reichsmarks, causing a flight from Reichsmarks and the hoarding of Allied Military Marks.

It appears that the Fiscal Director had been informed both verbally and by memorandum, dated 28 March, reference SHAEF/G-5/FIN/17/4 (Minute from General McSherry to ACOS, G-1 ETOUSA), of the view of SHAEF, G-5. SHAEF, G-5 had indicated to the Fiscal Director the desire that no action such as that in the subject Order should be taken without the currency of SHAEF.

It appears that your Order of 19 April was issued without such concurrence or notification.

An explanation of the subject Order is requested.

For the supreme commander:

(s) W. B. Smith,

(t) W. B. SMITH,

*Lieutenant General, U. S. Army, Chief of Staff.*

[Copy]

HEADQUARTERS SEVENTH ARMY,  
APO 758, U. S. ARMY,  
21 March 1945.

AG 123.7 FD

Subject: Indigenous German Currency.

To: All units, Seventh Army.

The appearance of substantial amounts of indigenous German currency in transfers to our funding officers indicates a definite violation of the provisions of Par. 2b (2), Ltr. Hq. ETOUSA, 22 November 1944, Subject: "Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations," which states in part, "lawfully received only as change from payments for commodities or services." Therefore, finance officers under the jurisdiction of this headquarters will *not* accept indigenous German currency or coin from any source, except proper deposits of captured enemy funds, until authorized to do so by this headquarters. APO's and similar agencies will turn in those indigenous marks, now held by them, which previous directives specifically authorized finance officers to accept. Since the premise of this prohibition is that legal possession is not possible, indigenous marks found in the effects of deceased military personnel will not be accepted.

By command of Lieutenant General PATCH:

(S./T.) W. G. CALDWELL,

*Colonel, AGD, Adjutant General.*

HEADQUARTERS, THIRD UNITED STATES ARMY,

APO 403

21 March 1945.

AG 121—GNMCK

Subject: Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations.

To: Commanding General, European Theater of Operations, APO 887, U. S. Army.

1. Recommend that letter, Headquarters European Theater of Operations, file AG 121 OPGA, subject as above, dated 22 November 1944, be amended to prohibit personnel under military control from using German-issue Reichsmarks and Rentenmarks of all denominations for transactions of any kind through Finance or Postal installations.

2. The above recommendation is submitted for the following reasons:

(a) The large quantities of small-denomination German-issue currency now being turned in to Finance and Postal installations indicates that personnel are coming into possession of more marks than they could reasonably be assumed to obtain as change from local purchases.

(b) The present regulations may be circumvented easily by personnel dealing with several different Finance and Postal Offices.

(c) As long as military personnel can dispose of small-denomination German-issue marks by purchase of dollar instruments, it is an inducement to theft, pillage, and black market activities.

(d) The foregoing policy would tend to reduce fraternization.

3. Inasmuch as personnel may "legally acquire" German-issue marks in small denomination only as change for expenditures in civilian channels the recommended prohibition would not work an undue hardship.

4. Regardless of orders requiring deposit of captured funds, as long as such funds may be used, even in small denominations, in exchange for dollar instruments, it will be retained illegally in large quantities. Your attention is invited to the attached investigation.

For the Commanding General:

(s. t.) R. E. CUMMINGS,

Colonel, A. G. D., Adjutant General.

Incl: Report of Investigation, Troop "A," 28th Cav. Ren. Squadron, 20 March 1945.

(Copy)

Hq Cz ETOUSA OUTGOING MESSAGE

Hq. From: HQ ETOUSA.

Date: 7 April 1945.

Action to: 1. CG, TWELFTH ARMY GP.

Info to: 2. SHAEF MAIN.

Ref. No.: EX-30085.

Classification: Confidential

REQUEST COMMENT OR CONCURRENCE IN REVISION OF PARAGRAPH TWO BAKER CMA LETTER EASY TARE OBOT UNCLE SUGAR ABLE TWO TWO NOVEMBER NINETEEN FORTY FOUR CMA ABLE GEORGE ONE TWO ONE OBOE PETER GEORGE ABLE SO AS TO PROHIBIT USE OF ALL IN-

INDIGENOUS GERMAN CURRENCY EXCEPT DEPOSITS OF CAPTURED ENEMY FUNDS PD SIGNED EISENHOWER PD THIS HAS BEEN RECOMMENDED TO THIS HEADQUARTERS BY THIRD ARMY AND BY NINTH ARMY PD ACTION ON THEIR RECOMMENDATIONS PRESENTLY PENDING.

Staff Distribution: G-1, G-5, AG, FD.  
Originating Section Precedence G-1. Routine.  
Name and rank typed: Col. G. H. Shirk.  
Tel. No.: 2091.

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File No. 123 (G-1).

Office of origin: Headquarters 12th Army Group. 13 APRIL 1945. G-1 R-1304  
APO 655.  
To: Commanding General, European Theater of Operations, APO 887.

Concur in the proposal outlined in your Ex-30085 relative to the prohibition of use of indigenous German currency.

For the Army Group Commander:

/s/t/ WALTER SZUDLO,  
Lt Col, AGD,  
Asst Adj Gen.

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BMC/GHS/wjh

HEADQUARTERS EUROPEAN THEATER OF OPERATIONS UNITED STATES  
ARMY

AG 123 OpGA APO 887  
19 APRIL 1945.

Subject: Possession by Military Personnel of German Indigenous Currency in any Denomination or of Other Continental Currency Notes which Exceed Certain Denominations.

To: Commanding Generals:

US Strategic Air Forces in Europe

Each Army Group

Communications Zone

Each Army

XVIII Corps (Airborne)

Bremen Port Command

United Kingdom Base, Communications Zone

European Division, Air Transport Command

Ground Force Reinforcement Command

Section Commanders, Communications Zone

Commanding Officers:

European Civil Affairs Division

Military Intelligence Service

Headquarters Commandant, APO 887

1. Effective 1 May 1945, letter, this headquarters, file AG 121 OpGA, subject: "Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations", dated 22 November 1944, is rescinded and the provisions set forth below substituted therefor.

2. a. Only Allied military authority German marks will be used for disbursements or other official transactions except that any payments made to Germans for commodities or services officially requisitioned or procured will utilize German-issue money (from accumulated stocks) to the maximum extent.

b. The Belgian and Dutch currency issued is only that which is indigenous to the country concerned and does not exceed denominations of 1,000 and 100 respectively.

c. Both native and Allied military authority French francs, up to the maximum denomination of 1,000 have been disseminated through official channels.

3. In view of the foregoing, the possession by US military personnel of German-issue currency in any denomination; Belgian francs or French indigenous money in denominations greater than 1,000 francs; or Dutch currency in denominations of more than 100 florins, will be considered sufficient cause for investigation as to source and as to the means by which acquired. Appropriate disciplinary action will be taken where indicated.

4. Currency notes described in paragraph 3, above, unless such action is approved by a general officer, will not be accepted by disbursing officers for exchange, PTA, or other transactions; by war bond or post exchange officers for cash purchases; by postal officers for stamps, money orders, etc; or by any other personnel (excluding civil affairs officers) handling official or quasiofficial funds except that finance officers will continue to accept proper deposits of captured enemy funds.

BY COMMAND OF GENERAL EISENHOWER:

R. B. Lovett,  
R. B. LOVETT,  
Brigadier General, USA.  
Adjutant General.

Distribution: "D".

Recd. Mar. 252137A.

Dated March 251450 '45

PRIORITY

From: Ninth U. S. Army cite GNMFO.

Action to: ETOUSA.

Ref. No.: K-20715.

Due to numerous cases of German issue currency being unlawfully acquired by military personnel, recommend that Allied military marks only be designated as legal tender for Allied military personnel.

Recommend further that all units be advised that German issue currency will not be accepted or exchanged by US disbursing officers except proper deposits of captured enemy funds.

Action: Fiscal Director

INFO: SGC; G-1; Suspense; Summary.

JGS/po

Dated Mar 13 1945

Recd Mar 13 2340A.

From : Advance Section Com Zone signed Plank cite CG-238.

Action to: ETOUSA.

Ref. No. : R-59066.

Reference 2B (2) and 3 Letter 22 November 1944 HQ ETOUSA, File AG 121 OPGA, Subject, "Possession by Military Personnel of Continental Currency Notes in or Exceeding Certain Denominations." Present directive is not considered adequate to protect United States from redeeming indigenous marks acquired unlawfully. Our Funding Officer has accumulated \$52,875.60 worth of such marks from Finance Officers of First and Ninth Armies.

These marks were accepted by Division Finance Officers prior to Roer crossing which precludes possibility of "Lawful" acquisition as contemplated by your directive. Non fraternization policy and current restriction of military personnel continue to preclude possibility of lawful acquisition. It has been reliably reported that various sums of indigenous marks are being found in the cash registers of abandoned shops and deserted homes of German villages. All such currency being retained by military personnel as person property.

Present restriction as to denominations acceptable by Finance Officers easily circumvented by simple expedient of exchanging large denominations for small ones through civilians or German banks.

Recommend directive prohibiting acceptance by Army Finance or Postal Officers of any indigenous marks. Stock on hand or sums captured may be used to make payments for civilian labor or supplies. Finance and Funding Officers have ample supply of allied military marks in all denominations which nullifies premise that acceptance of indigenous marks necessary because military personnel receive as change for large denomination allied military marks.

Recommend directive will have a major deterring effect on inception of the black market problem in Germany which has been major problem heretofore. Necessity for prompt action is urged to check increasing possibilities of accumulation and irregular dealings in indigenous German marks.

Action: G-1.

Info: SGS; G-2 Fiscal Director; AG Mil Pers; Suspense; Log; Summary; AG Records.

## ISSUANCE OF RUSSIAN PRINTED MARKS

Army Service Forces  
Office of the Fiscal Director  
SPFDF  
Foreign Fiscal Affairs Branch  
Maj. J. F. Baldwin 72564

28 MAY 1945.

Headquarters, Communications Zone,  
European Theater of Operations,  
Paris, France.

Number WAR 89896.

From SERVVIS SPFDF.

Comments below refer to EX 48775 report two issuance proposed amendment WD cir 364, 1944 relative German currency deferred pending discussions this wk with Col Bernstein air courier ltr from Fiscal Director ETOUSA also awaited. Request report earliest as to actual basis issuance Allied mil marks by Russians and amounts getting into possession US troops. Re part three how are 250,000,000 crowns being accounted for on books disbursing officers? If drawn against receipt amounts should be recorded disbursing officers acct same manner other currencies drawn against receipt. Cable advice of drawings from Czechs including initial drawing already made, with names disbursing officers involved, rate at which acquired, and US dollar value should be made to fiscal Director ASF Wash so corresponding charge can be made to disbursing officers Treasury acct. Currency reports pertaining to Crowns should be submitted monthly conformance Fin bulletin 99, 1944 re part five supplies new mil disbursing officers payment order not available and accompanying WD cir and Fin bulletin being issued. Specimen this instrument and draft copy WD cir being forwarded Fiscal Director ETOUSA by air courier. Request advise earliest whether instrument will meet your needs together with quantity required. Shpmt has been made 1st 500 boxes yellow seal currency value \$54,500,000 with decision shpmt additional quantities currency deferred pending receipt your views.

End

Action to: ASF.

Information: CFD; CAD; Mr. McCloy; Bud Div.

## EXTRACT

MINUTES OF MEETING HELD IN OFFICE OF THE ASSISTANT SECRETARY  
OF WAR 30 MAY 1945 AT 1000 HOURS

(Meeting of U. S. members of ad hoc Committee on Financial  
Planning)

Present at meeting: General Hilldring, presiding; General Richards, BOWD; Admiral McCrea, Navy Dept.; Mr. Reinstein, State Dept.; Mr. Spiegel, State Dept.; Mr. Glasser, Treasury Dept.; Mr. Gunter, Treasury Dept.; Mr. Heneman, Bureau of Budget; Mr.

Angell, FEA; Colonel Gerhardt, OASW; Colonel Bernstein, SHAEF; Colonel Bean, ASF; Captain McIver, Navy Dept.; Captain Sabin, Navy Dept.; Lt. Col. Hilliard, CAD; Lt. Comdr. Gluckstadt, Navy Dept.; Major Upton, BOWD; Major Shaw, CAD.

1. The outlook relative to currency conversion in Austria was discussed, including amounts of A. M. schilling currency required and available. It was the opinion of the meeting that conversion of mark currency in Austria into schillings at the earliest date possible is a matter of urgency. However, as mentioned by Mr. Glasser, agreement and coordination of plans with the USSR are necessary before such conversion can be effected. Meanwhile through the British Ambassador in Moscow, the Soviets have requested further supplies of A. M. schilling currency for use in their zone. Production of A. M. schilling notes by the U. S. Treasury Department is continuing but it is probable that this program will have to be enlarged. Mr. Glasser said that the Treasury Department has this problem under consideration and will try to coordinate plans and estimates as fully as possible with the Soviets through Treasury and State Department channels pending Control Council action. General Hilldring said that he desires that the U. S. members of the Control Council be instructed to place this subject among those at the top of the list.

2. Relative to adequacy of supplies of A. M. marks, SCAEF has taken note (VOG 444) of the fact that about four months would be required from time of placing of orders with the U. S. Treasury Department for additional supplies of A. M. mark currency until supplies could begin to be delivered in the theater. It is considered preferable that currency production facilities in Germany be utilized as soon as possible and that the needs of the Allied forces for marks be thus met by the German authorities. (The same applies to the production of schilling currency in Austria.) Colonel Bernstein said that the U. S. Treasury Department is prepared to send experts to Germany to examine these possibilities. It would remain also for SCAEF to be authorized to turn over to the Reichsbank or branches thereof the mark currency printing plates now held by SCAEF and to direct the Reichsbank to print Reichsmark and Rentenmark notes needed for use in Germany including requirements of the Allied forces. The matter is to be brought before CCAC accordingly.

3. Coordination with the Soviets regarding use of A. M. and German mark currency must be effected at Control Council level as soon as possible. Meanwhile, State, Treasury, and military channels are to be used to effect coordination to the maximum practicable. Other immediate problems have arisen relative to German mark and French franc currency which comprise part of the valuables uncovered by U. S. elements of Allied forces at Merkers and other places in Germany and now under custody of U. S. forces in Frankfurt-am-Main (VOGs 462 and 496; GOV 358). These problems were discussed. General Hilldring said that all papers dealing with these matters should be initiated through IPCOG and thus brought earliest for decision to CCAC, JCS, and CCS as the case may be.

\* \* \* \* \*

8. General Richards called attention to the need for concerted action by U. S. departments as to policy regarding method of payment of troops in countries in which inflation is out of control or in which

troop purchasing power is substantially reduced by other adverse factors. He strongly expressed the view that the Congress and the people will not stand for the present state of affairs in this regard, and urged that there should be a clause in all currency agreements made by the U. S. to the effect that if the currency of the foreign government depreciates, U. S. dollars can be used in such country for payment of U. S. forces stationed therein or that other appropriate steps will be taken to compensate for reduced purchasing power of troops. Captain Sabin expressed full agreement with these views and mentioned the present plight of Navy personnel in this regard in Greece. General Hilldring and General Richards pointed out that the situations in Greece and France, for example, are only the first among similar situations which may arise and requested urgent State and Treasury Department consideration of measures which could be taken to establish satisfactory and uniform policy in such matters, applicable to the period of economic and financial instability which appears to be ahead. General Richards said that he has to decide what to say to Congress on the matter of per diem in situations such as that in Greece, but that this method of alleviating such problems can only be considered as a temporary expedient. He again requested State and Treasury Department action in the matter of a clause in intergovernmental agreements which would protect the soldiers and sailors from such financial loss. It was pointed out by the State Department representatives that the problem differs from country to country and that the larger countries especially are in a position to offer resistance to measures of this character; also that any general solution applicable in all countries would be difficult. Mr. Glasser said that the Treasury Department had considered the situation in advance and that he would discuss at Treasury the views expressed at the meeting. Mr. Reinstein said that State Department personnel is also faced with problem under consideration and that he likewise would report the views of the meeting to the State Department.

9. Colonel Bernstein outlined a method of meeting in Germany the problem mentioned in the preceding paragraph hereof. He said he had discussed this method in the theater and that the reaction there had not been favorable, but that the ideas involved are of interest. Under the method in question the soldier would be paid his full pay in dollars in the United States. In addition military personnel would receive in Germany monthly a ration in mark currency, the amount of which would be determined by the military in the light of current economic and financial conditions. Military personnel would have no right to convert marks into dollars or other foreign currencies. Thus the interests of the soldier would be protected without involving a loss in his pay and at the same time the inflationary effects of troop spending could be effectively controlled. General Hilldring commented that Congressional action would be necessary to adopt such a procedure. General Hilldring and General Richards also pointed out that such a procedure in any event would be contrary to the ingrained rule that a soldier's pay is inviolate and that he can spend it as he considers best. Colonel Bean called attention to the fact that such procedure would involve a change in the Foreign Pay Adjustment Act.

10. In regard to the setting of general rates of exchange for the German mark and for the Austrian schilling, Mr. Glasser and Colonel Bernstein expressed the view of the meeting that immediate action is impracticable. The problem is, however, being studied in the field as well as here.

The meeting adjourned at 1150 hours.

(Sgd.) CHARLES C. HILLIARD,  
Lt. Colonel, GSC.

# MILITARY DISBURSING OFFICERS PAYMENT ORDER

SPFDF SUB 35

JUNE 2, 1945.

To: Commanding General,  
European Theater of Operations,  
APO 887, c/o Postmaster,  
New York, New York.  
ATTENTION: Fiscal Director.

1. Reference Part 5, EX 48775, E 50363, W 89306, and W 89971, specimen Military Payment Order and accompanying War Department Circular are inclosed.

2. Use of Treasury checks payable to bearer in fixed denominations, requiring signature and countersignature of payee, or limited in negotiability to U. S. Army finance offices, as proposed in EX 48775 and E 50363, is not concurred in by interested government agencies because of legal and other limitations.

3. It is requested that consideration be given to the adoption of the Military Payment Order in the European Theater of Operations in lieu of utilizing additional U. S. currency and/or Treasury checks, thereby reducing amounts of liquid cash and negotiable dollar instruments in possession of military personnel.

4. Supplies of blank Military Payment Orders, which require signature by payee only at time of cashing, will be available immediately. It will be noted that the use of this instrument is restricted to transactions between disbursing officers and the original payee, thereby precluding its acquisition by unauthorized personnel.

5. If the Military Payment Order will meet the needs of the European Theater of Operations, immediate action should be taken to request funding of those disbursing officers who will use this instrument. Requisitions for required quantities of Military Payment Orders should be submitted by air mail to the Office of the Fiscal Director, attention: Receipts and Disbursements Division.

FOR THE COMMANDING GENERAL:

(Signed) A. H. Carter,  
A. H. CARTER,  
Major General, GSC,  
Fiscal Director.

2 Incls.

1. Spec Mil Pay Order.
2. Prop. WD Circular.

# RECAPITULATION OF VARIOUS ITEMS HANDLED TO DATE IN ETO AND AT SHAEF SINCE 26 MAY 1945

## Extract

### HEADQUARTERS

#### EUROPEAN THEATER OF OPERATIONS

#### UNITED STATES ARMY

3 JUNE 1945.

Memorandum:

To: General Richards

\* \* \* \* \*

2. *Reichsmarks and AM Marks Acquired by US Military Personnel Through Other than Finance Office Channels.* While in Frankfurt, I discussed this subject with General McSherry, ADC/S G-5, SHAEF. Upon receipt of reports, he had dispatched an officer each from the Currency Section for Germany and the Financial Section of US Group Control Commission for Germany out to Army Headquarters to investigate. Their final report was not yet available in Frankfurt, but General McSherry had advised the CCS in VOG 461 (31 May 1945) which indicated that the Russians, although not using the same denominations as are being disbursed by our Finance Officers, are booking AM Marks paid to their troops in a manner similar to ours at the rate of 2 AM Marks equal 1 ruble. At the cross rate of 5.3 rubles to the dollar, this makes a Russian issued AM Mark worth 9.43 cents, or about a half cent less than the American AM Mark note since Russian paymasters are disbursing the 1,000 mark note, which US Finance Officers are not, I had requested Fiscal Director, ETO, to try to ascertain the amounts, if any, of 1,000 AM Mark notes offered for redemption by US troops, as such would clearly have come only from Russian sources. General McSherry did not view the problem with alarm. He also confirmed that looting of Reichsmarks had largely subsided with the cessation of hostilities.

\* \* \* \* \*

/sgd./ C. H. PFORZHEIMER, Jr.,  
Colonel, GSC.

### CONTROLS ON TRANSFERS OF MARKS

War Department Special  
Staff Budget Division  
WDSBU 123 Currency (25  
May 45) 474 73289 Major  
Upton

7 JUNE 1945.

Headquarters Communications Zone,  
European Theatre of Operations,  
Paris, France.

Number: WAR 13232.

For Eisenhower from Richards signed Marshall.

Subject is treatment by US Army of German issue mark currency refer memo from Cobbs to Richards 25 May which is being studied in

War Dept. concurrently with discussions with Col. Bernstein. Case involves important policy issues applicable to Army currency controls within other countries as well as in Germany. Advise whether prohibition against acceptance of German indigenous marks of any denominations contained in AG 123 of 19 April is still in effect or if it has been rescinded what theatre regulations have been substituted therefor. Meanwhile urge you assure yourself that measures taken to bring about strict examination by unit commanders of all requests of personnel for transfer of marks in their possession are being closely adhered to.

End

Originator: Budget Div.

Information: ASF Fisc; OPD; G-1; CAD.

#### ACCEPTANCE OF GERMAN INDIGENOUS CURRENCY

8 JUNE 1945.

From: Headquarters Communications Zone, European Theater of Operations, US Army, Paris, France.

To: War Department.

Nr: E 54756.

Signed Eisenhower E 54756.

Prohibition against acceptance of German indigenous currency contained in letter AG 123 of 19 April still in effect reurad WAR 13232. Personal transfer of funds by military personnel up to field grade officers stationed in Germany accomplished by turning in Allied military marks through application to unit personnel officer or comparable administrative officer who is charged with maintaining a record in respect to each such individual in the unit, indicating the date, amount, method of every transmission of funds of such person.

This required by directive Headquarters European Theater of Operations 15th March 1945 subject currency secured from unlawful sources constant check on all such transactions is made by CID and Inspector General.

End

Action: Bud Div.

Info: ASF, OPD, G-1, CAD.

#### EXCESS CONVERSION AND REMITTANCES OF OCCUPATION MARKS

ASF Off of the Fiscal Dir  
SPFDF Foreign Fiscal Affairs  
Br 72564 Maj John F. Baldwin

21 JUNE 1945.

Headquarters Communications Zone,  
European Theater of Operations,  
Paris, France.

Number: WAR 20480.

From SERVFIS SPFDF.

1. Discussions being held with Treasury relative control excess remittances and excess currency conversions in overseas theaters

arising from acquisition foreign currency through black market operations or other illegitimate means. Particular consideration being given problem in Germany.

2. Connection foregoing request you provide for information by cable.

a. Total mark currency in hands Fin O your theater 31 May and estimated amount marks outstanding same date in quasi-off funds including Red Cross, PX, unit funds as well as in postal funds derived from sales postal money orders not included in postal Fin O acct current.

b. Average amount marks per individual turned in for exchange by mil pers redeployed from Germany during May and approximate total number mil pers remaining in Germany 31 May.

c. Average amount marks per individual turned in for exchange by mil pers redeployed from Czechoslovakia during May and approximate total number mil pers remaining in Czechoslovakia 31 May.

d. Since ETO ltr dated 19 April file AG 123 OPGA subject "Possession by mil pers of German indigenous currency" prohibits exchange reichsmarks except on approval gen officer, what is being done with reichsmarks in hands of mil pers redeployed from ETO to US or Far East?

End

Originator: ASF-Fis.

Information: OPD; CAD; Mr. McCloy; Bud Div.

#### BLACK MARKET TRANSACTIONS

23 JUNE 1945.

From: Headquarters, Communications Zone, European Theater of Operations, US Army, Paris, France.

To: War Department.

Nr: E 60836.

1. Signed Devers, E 60836.

2. No black market or excess conversion problem exists in connection with Germany currency in this Theater. The policy of Finance Officers accepting only Allied military marks except as captured funds has effectively controlled such operations. Extremely nominal sums of indigenous German currency have been legally acquired as change by military personnel in some cases but none has been converted.

Not possible to acquire substantial sums legally.

Answering Paragraph 2 A, urad WAR 20480, total marks in possession Finance Officers on 30 April was 2,800,347,246 marks. 31 May figure not yet available other services mentioned, cannot furnish such information from their records.

Answering Paragraphs 2 B and 2 C, information is not available. No record kept by Finance Officers showing country from which a unit is redeployed when conversions are made. Amounts converted vary greatly but close control is maintained to insure that amounts converted are commensurate with the pay and allowances drawn by the individual concerned. Troop figures as of 31 May are not available geographically by Germany and Czechoslovakia.

Answering Paragraph 2 D, opinion is that military personnel being redeployed who have Reichsmarks in their possession retain them as souvenirs.

Such currency is not exchanged by authority of letter mentioned.

End

Action: ASF

Info: OPD, CAD, Mr. McCloy, Bud Div, C of S

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#### SCARCITY OF REICHSMARK CURRENCY

Combined Chiefs of Staff

Combined Civil Affairs Committee Lt Col Hilliard 73766

23 JUNE 1945.

To: Supreme Headquarters Allied Expeditionary Force, Main Echelon, Frankfurt, Germany.  
Commanding General, United Kingdom Base Section, London, England.

British Joint Staff Mission, Washington, D. C.

Number: WARX 21969

This is GOV 387

Supplies of mark currency.

In view reported increasing scarcity of Reichsmark currency reference GOV 322 VOG 444 do you anticipate placing further orders with United States Treasury Department for production of AM mark currency notes.

End

Note: GOV 322 is CM-OUT 79073 (7 May 45).

VOG 444 is CM-IN-10567 (11 May 45).

Originator: CCAC

Information: ASF; CC/S; OPD; G-2; Adm King; Mr. McCloy; Budget Division.

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#### ACCOUNTS WITH REICHSBANKS AT FRANKFURT AND MUNICH

From: Supreme Headquarters, Allied Expeditionary Forces, Main, Frankfurt, Germany.

To: War Department.

Hr: S 93201.

26 JUNE 1945.

To AGWAR for Marshall for Hilldring from SHAEF Main S 93201 signed Tedder cite SHGE.

Propose for currency branch in US Zone to open current account with Reichsbanks at Frankfurt and Munich for Army Pay Services and Military Government officers to return surplus Allied Military Marks to currency branch. This plan to be extended to other Reichsbanks when adequate controls are assured and the need arises. May we have your concurrence.

End

Action: CAD

Info: OPD; Bud Div; Mr. McCloy

## PROPOSAL AUTHORIZED

Civils Affairs Division  
 Operations Div. WDGS OPD  
 311.23 CAD 73766  
 Lt. Col. Hilliard  
 5 JULY 1945.

Headquarters U. S. Forces, European Theater, Main, Frankfurt, Germany.

Number WAR 27746.

COMGMNETO signed WARCOS.

Proposal outlined urad June 8 93201 approved.

Note: S 93201 is CM-IN-25378 (26 June)

Originator: CA

Information: ABF-Fisc; OPD; Mr McCloy; Bud Div.

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ACCOUNTS WITH REICHSBANK AT FRANKFURT AND MUNICH

Headquarters

UNITED STATES FORCES

European Theater (Rear)

OFFICE OF THE FISCAL DIRECTOR

APO 887

FD 003

Major General GEORGE J. RICHARDS, GSC

*Budget Officer for the War Department*

*Washington, D. C.*

Dear General RICHARDS: My attention has been called to cable S-93201, dated 26 June 1945 from SHAEF (Main) to AGWAR requesting concurrence in the proposal that the Currency Branch in U. S. Zone be authorized to open accounts with the Reichsbanks at Frankfurt and Munich for depositing currency returned by Army Finance Officers.

In view of the fact that the jurisdiction of the Currency Branch will pass from SHAEF, it is my opinion that such a proposal should not be concurred in unless it is definitely agreed that supplies of Allied Military Marks only will be made available to Army Finance Officers when future withdrawals of currency are requested.

I strongly recommend that German indigenous currency not be used by the Army for pay purposes and that the present theater directive, prohibiting its use, be retained.

Very truly yours,

N. H. Cobbs,  
 N. H. Cobbs,  
*Brigadier General, USA.*  
*Fiscal Director.*

## SUPPLIES OF MARK CURRENCY

29 JUNE 1945.

From: Supreme Headquarters Allied Expeditionary Forces, Main  
Frankfurt, Germany  
To: War Department  
Nr: S 94127

S 94127 AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee repeat for info to UK Base; AMSSO for British Chiefs of Staff sgd Tedder. This is VOG 542. The reference is GOV 587.

On supplies of mark currency. We are now engaged upon investigation of German facilities to determine how currency can be produced from German resources in Germany. Experts are visiting a number of widely separated localities. We do not anticipate that firm recommendations can be made in less than two weeks, or that effective production could commence in less than three to four months.

We prefer to await more detailed recommendations from the experts before suggesting possibilities of ultimate production in Germany.

End.

Action: CCAC

Info: CC/S, ASF, OPD, Adm King, Mr. McCloy, G-2

Civil Affairs Division  
Operations Divisions, WDGS  
OPD 311.23 CAD Lt Col  
Hilliard 73766

## FINANCIAL DIRECTIVE

2 JULY 1945.

COMMANDING GENERAL,  
U. S. Forces in the European Theater of Operations,  
Forward Echelon,  
Frankfurt, Germany,  
Number: WAR 26362.  
COMGENETO for G-5 signed WARCOS.

Transmitted is financial directive implementing provisions of part 3 JCS 1067/6 together with basic accounting guide contained Annex "A" to above-mentioned financial directive.

Following instructions relative to currency foreign exchange and accounting implement provisions part 3 Financial of JCS directive to you regarding Mil Govt Germany namely JCS 1067/6. These instructions have been coordinated with Navy and other interested depts.

1. Financial Division of Mil Govt your zone will include in its functions control of all funds used by United States Mil and Naval Forces under your command in Germany, other than United States dollars. Disbursement of United States dollars will be under control of Army and Navy Fin Officers your forces including receipt storage issue exchange and shipment of such currency. Fin Div will maintain accounts and records necessary to indicate supply, control and movement of all funds mentioned above as well as financial data which may be useful in determination expenditures arising out operations or activities involving participation your forces.

A. In so far as operations relate provision of currency for pay and other cash requirements your forces, Fin Div will supply Allied mil mark and German mark currency from currency on hand and will record debit against forces concerned.

B. In so far as operations relate provision currency for mil govt administration, Fin Div will supply Allied mil mark and German mark currency from currency on hand and will record debit against appropriate German authority, administration or agency.

C. Records Fin Div will indicate in all cases currency in which receipts were obtained or disbursements made by Fin Div.

2. Ref paragraph 3 B JCS 1067/6 in absence agreed policies Control Council.

A. Rate exchange to be used exclusively for pay your forces and for your Military and Naval accounting purposes will be 10 marks to one United States dollar. For your info general rate exchange may be furnished later.

B. Foreign exchange transactions will be prohibited your zone except as you may specifically authorize. Holders mark currency should not be entitle purchase foreign exchange without special permission.

3. Basic accounting instructions supplemental foregoing are contained Annex "A" hereof.

#### ANNEX "A"

Basic accounting guide.

1. Fin Div Mil Govt United States Zone Occupation Germany will be organized to provide

A. Centralized control accounts and records.

B. Uniformity accounting policies and procedures.

C. Appropriate subdivisions maj fin functions in manner to assure appropriate internal controls and safeguards including separation accounting controls from functions of handling cash.

2. Fin Div should in so far as practicable incorporate in its procedures standards personal accountability and personal responsibility equivalent those applicable United States Mil and Naval Forces.

3. Fin Div should keep appropriate centralized records all A. M. marks, German marks or other currency made available from any source for either Mil or Mil Govt purposes. All A. M. marks and German marks required in area either for Mil or Mil Govt purposes should be obtained from Fin Div by Mil Govt and United States Mil and Naval Disbursing Officers. Appropriate centralized records pertaining thereto should be kept.

4. A. M. marks and German marks advanced to Mil Govt and United States Mil and Naval Disbursing Officers by Fin Div will be evidenced by receipts. In respect each advance to United States Mil and Naval Disbursing Officers, Fin Div will report by radio details thereof to War or Navy Dept as case may be, which in turn will report United States Treasury. In addition each Disbursing Officer recipient will submit independent radio report of amount received by him to War or Navy Dept as case may be.

5. When U. S. military and naval disbursing officers obtain A. M. marks and German marks from the Financial Division, dollar equivalent of amounts drawn at established rates of exchange will be set

aside in earmarked accounts with U. S. Treasury Department. Expenditures in area should, so far as practicable, be made by United States Mil and Naval Disbursing Officers rather than by Mil Govt Officers. For such expenditures in areas as would normally be charged appropriations of United States Forces, vouchers evidencing such payments should be scheduled in Disbursing Officers official accounts in manner normally followed in reporting expenditures appropriated funds. For expenditures Mil Govt nature made by United States Mil and Naval Disbursing Officers in area, vouchers evidencing such payments should be delivered Fin Div and Disbursing Officer reimbursed for total amount such expenditures. To assist you segregating expenditures chargeable WD appropriated funds, definition such expenditures will follow. Meanwhile, for your guidance, such expenditures should be made only in instances where such expenditures essential accomplish functions United States Mil Govt.

6. Vouchers evidencing disbursement for Mil Govt purposes should be plainly marked "Mil Govt" or given other distinctive marking at time disbursement made by United States Mil or Naval Disbursing Officer. Such vouchers will be considered cash in accounts of United States Mil and Naval Disbursing Officer making payment until reimbursement received from Fin Div. Fin Div will accept such vouchers and maintain appropriate accounting records indicating total amount paid and purpose for which paid and will record debit against appropriate German authority, administration, or agency.

7. When collections are received by United States Mil or Naval Disbursing Officers for Mil Govt purposes total such collections should be recorded in accounts Disbursing Officer as "special deposits." At periodic intervals but not less than monthly, total such collections will be paid Fin Div in currency in which collection was made. Appropriate supporting detail as to source and purpose of funds, will be furnished Fin Div by Disbursing Officers.

8. All accounts maintained by Fin Div should be stated in terms of marks. If currencies other than marks involved they should be recorded in terms of marks at official rate exchange but accounting records should provide identification and segregation all such currencies. Such identification segregation will not be required as between A. M. marks and German marks.

9. Accounts maintained by Fin Div should be sufficient detail to provide complete info as to source and disposition of any funds currencies or fin assets acquired from any source within area in order provide basic data for preparation of periodic reports and required in paragraph 11 below.

10. Provision should be made within framework of Mil Govt United States Zone Occupation in Germany, for continuing and current audit to extent practicable of accounts funds assets and supporting evidence in custody Fin Div by personnel who should be independent of pers responsible for receipt disbursement or custody of funds supplies assets accounts and supporting evidence.

11. As soon practicable Fin Div should furnish United States Treasury War and Navy Depts with following periodic preferably monthly reports:

A. Balance sheets Fin Div and such supporting schedules as appropriate;

B. Statements receipts of funds classifying receipts as fully as practicable according to

1. Source, that is from who received; for example, from funding units, geographical units, governmental agencies, banks and individuals.

2. Character of source, for example, funding operations, taxes, licenses and permits, contributions, fines and penalties, and sales.

3. Type currency if other than A. M. marks and German marks involved.

C. Statements disbursements and advances funds according:

1. Recipients.

2. Character or purpose.

3. Type currency if other than A. M. marks or German marks involved.

D. Currency statements showing amounts issued redeemed destroyed and outstanding.

12. Instructions will follow relative accounting for supplies coming under your control for civ used.

End

Originator: CAD.

Information: ASF-Fisc; OPD; Mr. McCloy; Budget Division.

Combined Chiefs of Staff  
Combined Civil Affairs  
Committee 73766 Lt Col  
Hilliard

8 JULY 1945.

#### PAYMENT US MILITARY PERSONNEL

SUPREME HEADQUARTERS ALLIED EXPEDITIONARY FORCES MAIN ECHELON  
FRANKFURT GERMANY

Commanding General U K Base Section, London, England  
British Joint Staff Mission, Washington, D. C.

This is GOV 400.

Use of mil govt funds for payment United States mil pers.

Principle of paying United States military personnel without corresponding charge to War Dept appropriated funds is not acceptable. Such procedure would be contrary to established United States policy whereby Congressional control over such expenditures is maintained. This policy is without prejudice to determination of occupation costs and settlement therefor.

Accordingly you are not authorized to pay United States enlisted men serving as stenographic reporters in mil govt courts extra compensation out of mil govt funds.

Following proposed revision of para 1, AR 35-4120 now being processed thru War Department so that United States military reporters may be compensated for mil govt court duty on same basis as for courts martial and military commissions: "The term 'court' as used in these regulations will be understood to mean court martial, court of inquiry, military commission, or retiring board. 'Military commis-

sions' shall be deemed to include any tribunal, by whatever name described, convened in the exercise of mil govt having jurisdiction over felonies and other serious offenses and consisting solely of officers of the United States Army".

You will be advised earliest relative to decision reached on revision mentioned para 3 above.

End.

Originator: CCAC.

Information: ASF; CC/S; OPD; G-2; Adm. King; Mr. McCloy;  
Budget Div

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#### LONDON STOCKS OF AM CURRENCY

12 JULY 1945.

From: Supreme Headquarters, Allied Expeditionary Forces, Main,  
Frankfurt, Germany

To: War Office, London, England

Information: War Department

Nr: S 96923

S 96923 from SHAEF Main to War Office for F5 repeat for information to AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee signed Eisenhower cite SHGE.

You will receive info copy of our signal to CCS in which we explained our intention to hold for their order any remaining London stocks of AM German currency as from the termination of Combined Command.

We would be grateful if you would be able to undertake this if no other instructions are received from CCS before the termination of combined command.

End

Action: CCAC

Info: CC/S, ASF, OPD, G-4, Budget Division

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#### CENTRAL GERMANY CURRENCY SECTION

PRIORITY

12 JULY 1945.

From: Supreme Headquarters, Allied Expeditionary Forces, Main,  
Frankfurt, Germany.

To: War Department

Information: War Office, London, England.

Special Signal Office, Air Ministry, London, England.

Nr: S96937. VOG 564

Ref nr S 69937 from SHAEF Main to AGWAR for Combined Chiefs of Staff for Combined Civil Affairs Committee repeat for information to AMSSO for British Chiefs of Staff; War Office for F5 signed Eisenhower reference VOG 532. This is VOG 564.

View the imminent termination of combined command it will not be possible to continue the Central Germany Currency Section without specific orders from you concerning its method of operation and status.

Since we have not received such instructions from you it is now necessary for us to take immediate action to dissolve it as follows:

A. Central Reserve Stocks—We have requested the War Office to hold these to your order. If you approve the distribution proposed in our VOG 532 please issue instructions accordingly since War Office will need your instructions before making further issue to US, British, or French.

B. Book Entries of Central Currency Section—These are being transferred to US and British Currency Sections on a provisional basis and subject to such adjustments as you may direct. The details of these entries being forwarded to you separately.

C. All documents of Central Germany Currency Section turned over for safe custody to US Group CC in agreement with Control Council (British element) and subject to your instructions concerning ultimate disposition.

End

Action: CCAC

Info: CC/S; ASF; OPD; G-2; Adm. King; Mr. McCloy; Budget Division

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#### SHORTAGE OF CURRENCY

PRIORITY

14 JULY 1945.

From: US Group Control Council, Höchst, Germany

To: War Department

Nr: CC 13382

Ref nr CC 13382 to AGWAR from United States Group CC signed Clay.

Due to shortage of currency and expert opinion that no reproduction of notes possible in Germany for at least 6 months request initiation of preparations for printing 15 billion Allied military marks approximately same number of notes as original order denominations to be advised.

Actual printing order to be delayed pending consultation with Russian representatives at Control Council level.

This has been cleared with British and French elements of Control Council.

End

Action: CAD

Info: ASF; OPD; Budget Division; Mr. McCloy

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#### CONTROL OF REICHSMARK EXCHANGES

20 JULY 1945.

Memorandum for Colonel Pforzheimer:

1. Attached are instructions concerning control of Reichsmarks which have been suggested for issuance by the War Department.

2. Due to the complexity of the problem involved, and to the possibility that some of the suggestions may be difficult of implementation, it is requested that you discuss this matter with the theater authorities as soon as possible and advise this Division of your thoughts thereon.

3. You may remember that this Division recommended strict exchange control measures, including consideration of "exchange cards" to OFD some months ago. Up to the present time, it has not been possible for OFD to implement these recommendations. However, an exchange card system in which each individual carries with him a permanent record of his transactions, is being worked out and may be published some weeks from now.

4. There is no doubt that if restrictions on exchanging Reichsmarks are lifted, even to a limited extent, there will be presented a flood of Reichsmarks which will have been accumulated by individual soldiers, perhaps largely illegally, during past months. Therefore, whatever measures are enacted must take this into consideration.

5. It appears advisable to remove the existing discrimination against the Reichsmark. At present there seems to be a real danger that two different currencies are developing in Germany, with the AM Mark commanding a considerable premium over the Reichsmark. Therefore, even if the proposed measures are not capable of efficient implementation under existing circumstances, it would seem that something should be done before this "dual currency" situation develops much further.

6. Refusal to exchange Reichsmark currency, while temporarily effective in preventing exchange of illegally acquired marks, becomes less and less effective as time goes on; and the necessity of control measures, even for AM Marks becomes more urgent. This results from AM Marks coming legally into the hands of the population in ever increasing numbers, with the result that troops may acquire them illegally with greater ease as time goes on. The lack of coordination with the Russians with respect to handling of AM Marks may also contribute to the necessity of control measures.

7. The attached suggestions have been discussed at very considerable length with G-1, CAD, OFD/ASF and the Terasury, and are concurred in by all groups. They are the result of a compromise between different viewpoints. We are asking you how this compromise appeals to you and to the theater. If something close to this will work, it is believed prompt formalization should take place. If the theater has objection to the procedures proposed, it is requested that they make immediate counter-proposals which will achieve the same result. Your views of any theater objection to the proposed measures, and of the effectiveness of any counter-proposals is requested.

GEORGE J. RICHARDS,  
*Major General, GSC,  
Director, Budget Division.*

Incl:

Instr. on Exchange of Indigenous RMs

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Subject: Exchange of Indigenous Reichsmarks.

1. Refer communications from Fiscal Director, ETO, dated 25 May, 5 July, to Budget Officer. Conflicting factors are involved in problem of regulating conversion mark currency for U. S. military personnel.

a. Pertinent CCS and JCS directives embody basic monetary principle that Allied Military and other legal tender German mark currencies will be freely interchangeable one for one within area occupied by U. S. and other elements Allied forces.

b. Payment of U. S. troops has been effected to date only in Allied Military Marks.

c. Illegal acquisitions of large amounts of marks by military personnel are believed to be almost exclusively in Reichsmarks and Rentenmarks.

d. Fiscal Director, ETO, has issued instructions which prohibit conversion of German issue currencies, but do not prohibit conversion of Allied Military Mark currency.

e. Coordination with Soviets has not yet been effected relative to control of issuance of Allied Military Mark currency in Germany.

2. Purpose of following instructions is to obtain best practical solution to reconcile basic principles with existing procedures, pending establishment of longer range control measures.

3. It is requested that ETO letter 19 April 1945, file AG 123 OPGA, subject, "Possession by Military Personnel of German Indigenous Currency", which is not considered in accord with directives in para 1a above and with principles governing use of military currency, be rescinded, and regulation substantially as follows be issued:

a. Reichsmarks in denominations of 5, 10, 20, and 50 marks, and Rentenmarks currency in denominations of 1, 2, and 5 marks will be acceptable by finance officers, postal authorities, war bond officers, and post exchange officers for all purposes on the same basis as Allied Military marks. Denominations of Reichsmarks higher than those indicated above will not repeat not be acceptable from authorized personnel whether inside or outside Germany for any purpose. When reference is made below to "Mark Currency," the term applies equally and without distinction to both Allied Military marks and the acceptable denominations of Reichsmarks and Rentenmarks.

b. Transactions involving acceptance of mark currency within Germany for any type of exchange, savings, or remittance to points outside of Germany, must be individually approved by the unit commander or personnel officer for all military personnel up to and including the grade of Lt. Colonel. Military personnel receiving dollar or foreign currency remittances will be informed that unless these are registered with personnel officer prior to cashing, any mark proceeds arising therefrom will not be eligible for reconversion into foreign currency or into dollar instruments for savings or remittance purposes. Records must be maintained by personnel officers showing for each individual subject to these regulations, on the one hand, the amount of mark currency drawn monthly as pay, and amounts of remittances received from overseas, and on the other hand requests for exchange, savings, and transfers approved and disapproved. Finance, postal, and war bond officers will not accept mark currency for any transactions without a certificate from the personnel officer evidencing approval of such transaction.

c. As a matter of general guidance, approval of requests within Germany for acceptance of mark currency for remittances and savings should be limited in any one month to amounts not in excess of one month's cash pay drawn, unless it can be specifically established that the source of larger amounts requested is also pay and/or allowances, or exchange of dollar obligations at official rate.

d. Requests for exchanges within Germany of mark currency for other currency or for military disbursing officers' payment orders will be approved by personnel officers, and finance officers will make such

exchanges only when individual is in possession of orders authorizing departure from Germany either on permanent change of station, temporary duty, leave, or furlough. As a matter of general guidance, cash exchanges for individuals leaving Germany should be limited to two months' cash pay received less any amounts previously remitted or deposited, unless justification for higher amount can be specifically established as described in c above.

e. Only one exchange of mark currency for currency of other countries or military disbursing officer's payment orders will be authorized outside of Germany and this will be made only upon submission of sworn affidavit establishing satisfactorily that such currency was received from pay and/or allowances, or exchange of dollar obligations at official rate, and stating:

(1) The specific reasons which prevented the holders from having such currency exchanged before departure from Germany.

(2) That previous exchange of any of the marks in question has not been refused either inside or outside Germany.

(3) That no previous exchange of mark currency has been made since leaving Germany.

In addition to the strict screening of all mark conversions in accordance with the above provisions, an exchange of mark currency made outside Germany may not, repeat not, include more than a total of one hundred German Reichsmarks or Rentenmarks of the acceptable denomination described in para 3a above.

(f) All personnel will be strictly enjoined to exchange mark currency before leaving Germany, and every facility will be given to see that such exchanges can be made.

e. Regulations promulgated in accordance with above will be brought to the attention of all personnel.

4. It is not considered feasible to lay down more specific limitation on amounts of mark currency exchangeable than those recommended above, as it is believed that discretion must be left to individual personnel officers or finance officers as the case may be to pass on exceptional and substantiated cases. However, the limitation recommended should specifically not be considered as permitting automatic transfer or exchange up to amounts specified, as these limitations represent working maximums which it is believed could legitimately be requested by relatively few individuals. Only the very exceptional case would have grounds to request transfer of a higher sum. Particular emphasis should be put on measures taken to see that all military personnel leaving Germany exchange mark currency before departure. Enforcement of this will permit finance officers outside of Germany, where no detailed check on previous transactions is possible at present time, to become increasingly severe in their acceding to requests for exchanges of mark currency.

5. Strict disciplinary action should be taken in case of violation of these regulations.

6. Request identification of date when above instructions have been effected and submission to War Department, attention OFD/ASF, or four copies of instructions issued.

7. In connection same subject, information requested why amendment to para. 6i, Section 1, Finance Circular Letter No. 80, contained in Section 2 GHQ No. 56, OFD, ETOUSA, 17 June 1945, omitted pars. 3 and 4 of original par. 1a, which prescribed exchange control records

would be maintained by unit personnel officer. Implementation this cable would appear to require reinstatement of this or similar control measures.

EXTRACT FROM LETTER OF COLONEL PFORZHEIMER, DATED JULY 22, 1945

2. *Currency Arrangements in Northwest Europe.*

a. There is a high level currency conference going on in Frankfurt currently. Taking advantage of Mr. William Taylor's presence there, I called a meeting in the office of Colonel Bernstein, Chief, Financial Section, U. S. Group Control Council, to consider the question of acceptability of indigenous reichsmarks by U. S. Finance Officers, post exchanges, messes, etc. The general consensus of opinion of the Treasury, G-1, Disbursing Officer and the undersigned, but not of Colonel Bernstein, was the present theater directive of 19 April 1945 prohibiting the acceptance of indigenous marks should be further amended along the following lines:

(1) Deny American Military personnel access to any German banks including the Reichsbank for any financial transactions. The reason for this is that, as advised to the War Department recently, the German Currency Section for USFET has completed arrangements to deposit 200,000,000 AM Marks in the Reichsbank Branch in Munich, and 100,000,000 AM Marks each in the Reichsbank Branches at Frankfurt, Kassel, Darmstadt, and Stuttgart. These deposits are being made to provide accounts from which AM Marks can be fed into the German bank system and also provide accounts into which U. S. Army finance officers can return AM Marks as they are taken up from troops leaving Germany for redeployment. Obviously, putting 600,000,000 AM Marks into German circulation would provide an additional manner in which GI's who had acquired indigenous marks illegally could at last find German sources at which to change from indigenous to AM Marks.

(2) Allow U. S. Army disbursing officers, post exchanges, messes, etc., to accept indigenous mark currency in denominations under 10 marks. The Am Marks are printed in denominations of  $\frac{1}{2}$ , 1 and 5 marks, but indigenous currency below 10 marks is made up more of coins than paper money. The weight of coins would easily be a deterrent to any GI attempting to convert high denomination indigenous currency illegally acquired into low denominations marks.

A suitable staff directive will probably be prepared at USFET (Main). At the same time, since apparently it has not been done up to now, the theater will also amend its 19 April directive to prohibit the acceptance in Army channels of 1,000-mark notes; these the U. S. Army does not use for disbursing purposes, but the Russians do.

CONTROL OF REICHSMARK EXCHANGES (EXTRACT)

APO 887

24 July 1945.

To: German Currency Section, USFET (Main), APO 757, US Army.  
(Attention: Lt. Col. Cragon).

1. There is inclosed copy of memorandum addressed to the undersigned by the Director Budget Division, WDSS, dated 20 July 1945,

subject as above; inclosing proposed War Department cable containing instructions relative to the "exchange of indigenous Reichsmarks."

2. Attention is invited to paragraph 7 of the memorandum from the Budget Division. Your comments and/or counter-proposals are requested at the earliest practicable moment, so that the undersigned may make a report to the War Department.

3. An identical memorandum with same inclosures, is being dispatched to the A. C. of S, G-1, USFET (Main), (attention Colonel Larson), the Fiscal Director, USFET, and to Financial Division, US Group CC, (attention Colonel Bernstein).

(S) C. H. PFORZHEIMER, Jr.

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BLACK MARKET TRANSACTIONS

JETL  
TOO 241202C JULY

USFET MAIN 468/24  
TOR 241618B JULY

PRIORITY

From: US HQ BERLIN DISTRICT SIGNED PARKS  
To for Action: USFET MAIN  
For Info: USFET REAR, USCGG MAIN  
Ref. No.: VYX-30534, 24 July 45

Black market here fed by large sums Russian printed marks available to Russian military personnel. Endeavoring to eliminate such activities in U. S. District BERLIN and have taken following action:

1. Temporarily suspended all sales U. S. Postal Money Orders and War Bonds also all soldier's deposits and personal transmission accounts pending issuance of instructions limiting such sales or deposits to unencumbered pay plus 10%.

2. Have stressed increased Military Police coverage and apprehension. Am conferring with USGCC here. Recommend strong Theater Policy is issued this subject.

Action: G-1

Information: G-5; SGS; MR. MURPHY; \* \* \* ; AG RECORDS

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CURRENCY CONTROL SECTION FOR GERMANY

PRIORITY

28 JULY 1945.

From: U. S. Group Control Council, Höchst, Germany.  
To: War Department.  
No: CC 14159.

To AGWAR from U. S. Group Control Council signed Clay ref nr. CC 14159. Re W 36000.

Following are views of U. S. Group CC and USFET:

1. SHAEF currency section for Germany has been dissolved. Final report of that section as of 13th July 1945 has been forwarded to you and as of 13th July 1945 stocks of Allied military marks have been divided between currency section of finance divisions of US/BR/FR Control Council Staffs and such finance divisions will each prepare

monthly reports respecting their respective shares of Allied military marks. Finance division of U. S. Group CC/USFET has the books of the Headquarters Branch, SHAEF German currency section and the finance division of the British Control Commission has made copies of records desired by it.

2. CALA will handle accounts and prepare bills for civilian supplies delivered under combined military authority to liberated areas and will handle assets and liabilities of currency sections of SHAEF Missions in liberated areas. CALA has all books and records of G-5 SHAEF relating to all matters arising in liberated areas.

3. Upon the dissolution of SHAEF there cease to be any combined agency to deal with the accounting, currency or other financial problems in Germany and no such combined agency appears to be necessary. USFET and Headquarters Communication Z will have information on supplies under U. S. control. BR/FR/Zone Staffs will have supply information on their receipts and issued of supplies under the combined military program. By coordination and exchange of information USFET will then be enabled to provide an over-all accounting to the War Department on the civilian supply program under combined military control. Likewise, the BR/FR Zone Headquarters will be in position to report to their respective governments. It may be desirable to establish a committee under CRAB to liquidate supply and accounting matters in Germany for the period of combined responsibility.

4. The gold and other assets held at the Reichsbank in Frankfurt have continuously been held by the U. S. Forces in the Name of CG, ETO and now will be held in the name of CG, USFET. No distinction is made by U. S. between control and custody. Babington Smith, Chief British Finance Officer under SHAEF, was fully aware of this and stated to Bernstein in discussing GOV 406 that he assumed that Paragraph B 2 did not apply to gold, etc., held at Reichsbank in Frankfurt since such gold, etc., was not held by SHAEF but by CG, ETO.

5. The records of the Financial Branch, G-5 SHAEF has been distributed as follows:

All of the records including currency and accounting records related to liberated areas have been turned over to CALA: All of the records including currency and accounting records relating to Germany are being held by USFET G-5. The British side of the Control Council has been furnished with copies of all records relating to Germany including currency and accounting records which they are interested in having. Nothing has occurred which will interfere with combined auditors of CCS discharging their functions either with respect to liberated areas or Germany.

6. The fact that combined military responsibility exists for a limited period after SHAEF's dissolution in furnishing civilian supplies to respective zone commanders in Germany and Austria does not necessitate any change in the finance divisions which have already been established by British and US at Control Council and theater levels, having in mind handling matters described in your cable.

General Hilldring agrees with this cable.

End

Action: CAD

Info: OPD; AS/W; Bud Div

## RUSSIAN PRACTICES IN PAYING SOLDIERS AND SUPPLIERS

Headquarters

U. S. GROUP CONTROL COUNCIL (GERMANY)

FINANCE DIVISION

APO 742

1 AUGUST 1945.

To: Colonel Bernstein

According to Lt. Colonel Rubinistri, Russian Finance Officer in Berlin, the following is the Russian practice in paying soldiers:

1. The Russian Army pays in AM Marks only. They do not use any German printed RM.

2. The Russian Army has no remittance system. No arrangements are made for exchange of Marks into Rubles. The Marks must be spent here, as they are valueless in Russia and cannot be exchanged into Rubles on the way home.

3. The Russian Government decides what portion of pay and allowances is being paid in Germany in Marks and what portion in Rubles in Russia. The individual has no choice. If the individual does not draw his pay in Marks here he loses it.

4. The Russian soldiers have not found anything much to buy in Germany so they have great quantities of their pay with them.

5. Colonel Rubinistri was very interested in what the American procedure was and said that he thought that the American practice of allowing American soldiers to change Marks into good dollars must create a large number of problems. He asked why American soldiers were changing thousand AM Marks notes into 100 Mark notes. It was explained to him that U. S. soldiers could not exchange 1,000 Mark notes for the purposes of remittances but they could 100 Mark notes.

6. The Russian Army does not give requisitions for supplies but pays for them in cash on the spot. If a Unit gives a receipt it is tracked down and forced to hand over the money so that the supplier may be paid right away.

A. M. KAMARCH,  
Deputy Director,  
Finance Division.

cc: Foreign Exchange and Blocking Branch  
Currency Branch  
Berlin  
AMK/mrr

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EXTRACT FROM RECAPITULATION OF VARIOUS ITEMS HANDLED TO DATE  
IN USFET SINCE 22 JULY 1945 FROM COL. PFORZHEIMER

APO 887  
29 JULY 1945.

## Memorandum:

*Control of Reichsmark Exchanges:* Reference is made to your air courier of 20 July, which was received here on 24 July.

a. At Tab G you will find copy of memorandum which was immediately dispatched as a cover to your memorandum and the suggested War Department cable of instructions.

b. Colonel Bernstein and I just finished a long-distance telephone conversation on the subject. He stated that he feels the general tenor of the proposed War Department instructions will accomplish the G-5 preparations. Following his coordination with G-1 in Frankfurt, he is willing to let the Theater Fiscal Director carry on with implementation of any final War Department instructions.

c. As per the request contained in paragraph 7 of your memorandum, I shall coordinate the various theater views and cable to you as soon as they are available.

d. My personal view of the proposed War Department instructions is that they should work well in the theater with possibly these two exceptions:

(1) The acceptability of 50-mark notes of indigenous currency seems high. (See paragraph 3a of proposed cable.)

(2) With reference to the matter mentioned in paragraph 1e of the proposed War Department cable, it may well be that more drastic local rules may have to be published in the Berlin area. There are two contributing factors which aggravate the situation there. The first is that in Berlin there exists such a scarcity of merchandise of all kinds that black markets are difficult to control. Added to this, the Russian military personnel are very anxious to acquire anything they can in the way of American personal belongings and are willing to pay fantastic prices. An ordinary wristwatch valued at \$60 will bring \$200 to \$250. If it has a sweep second hand, another \$100 is easily obtainable. More complicated watches, which include stopwatch movement, may be sold as high as \$500. The Russian troops have for the most part not been paid for a number of years; they have no allotment system in the American sense and are currently cashing in on  $\frac{2}{3}$  of their accumulated back pay in Russian issued AM Marks, while  $\frac{1}{3}$  of their pay is transmitted home. Likewise, present reports indicate that the Russian Army does not provide for transmittals such as our PTA or APO channels, therefore, the Russian soldier, especially those in Berlin, finding little German merchandise to buy, are making very tempting offers to American military personnel. Temporarily, as of 24 July, General Parks suspended all sales of U. S. postal money orders and war bonds and the acceptance of soldiers' deposits and PTA's. This suspension has now been rescinded upon the issuance of firm instructions in the Berlin area, which limit money transmittals, deposits, war bonds, etc., to one month's unencumbered pay plus 10%.

My own feeling, following phone conversation with Frankfurt, is that, the situation will rectify itself gradually from this point forward as the Russians gradually use up the liquid funds and as American military personnel reach the limit of that which they wish to sell. US Group Control Council is keeping a careful eye on the Berlin situation.

4. Mr. Ball took action on WAR-38765 on 27 July.

5. *Billing for Civilian Supplies.* At TAB H you will find memorandum for record (extra copy for General Hildring) concerning meeting held with Major Shawe (British) and Captain Chase (US) of the Supply Branch of CALA.

(S.) C. H. PFORZHEIMER, Jr.

## TELEPHONE CONVERSATION

## EXTRACT

COL. PFORZHEIMER AND M/GEN. RICHARDS

TC 3670 ARB  
PARIS 2-4-2  
3 AUGUST 1945.

\* \* \* \* \*

PFORZHEIMER: I attended yesterday afternoon, a meeting in Frankfurt, just for the afternoon, on the question of Reichsmark conversion. In line with your air courier letter of July 20th I have written you in the very fullest of detail and I believe that the very serious consideration which all components of this theater and which Colonel *Burnstein* of US Group BC has given the matter, has resulted in some very constructive suggestions, all of which I have per your request analysed and sent out to you by air courier tonight.

RICHARDS. That's fine. Do you have anything more?

PFORZHEIMER: No, sir.

\* \* \* \* \*

RICHARDS: Let me say one other thing. This is an awfully clean way of settling that whole matter if it goes through, and I hope it will.

PFORZHEIMER: Yes, sir, I believe that it is and I believe that the War Department position will be in very, very good shape.

\* \* \* \* \*

## CLIPPING FROM THE STARS AND STRIPES

THURSDAY, AUGUST 2, 1945.

## FOUR MILLION DOLLARS SENT HOME BY 33,000 BERLIN YANKS IN JULY

By a Staff Correspondent

BERLIN, Aug. 1.—Approximately 4,000,000 dollars has been sent home during July by the 33,000 American troops in Berlin, it was learned here yesterday.

During the same period—from the 1st through the 27th of the month—the soldiers in the U. S.-Berlin garrison were paid a total of only about 1,000,000 dollars in cash.

Of the money sent home, about 2,000,000 dollars was in Personal Transfer Accounts, bonds and soldiers' deposits. This would mean a minimum of 20,000 money orders were made out (maximum for a single money order is 100 dollars) and would bring the average amount sent home by each soldier here to more than 120 dollars.

Officials disclosed that on the 22nd and 23rd of July, Maj. Gen. Floyd L. Parks, Berlin District chief, froze all transactions in money to be sent to the U. S., in order to give finance officers time to get their accounts straightened out and the flood of work cleared up.

According to estimates here, approximately two thirds of the money in circulation among American soldiers in Berlin consists of Russian

occupation marks. *Finance officers are instructed to exchange all Soviet-issued marks of 100 marks or less.*

For the four weeks of joint occupation in Berlin, large scale barter—both between Russian and American troops and between American and German civilians—has been going on. In addition to direct barter there have been phenomenal exchanges of money, especially in the sale of watches by Yanks to Soviet soldiers. Money from the sale of watches is still being accepted for transmittal home.

Gen. EISENHOWER:

This is the problem I spoke to you about the other day. Obviously there is no real limit being placed on the exchange of these "Russian" marks, and I really think we will have to do it.

W. B. S.

*To C/S.*—The story is exaggerated, but is still bad enough. We have placed a limit on amount that can be exchanged into dollars.

D. E.

26 JUNE 1947.

### CONTROL OF REICHMARK EXCHANGES

AUGUST 3, 1945.

#### Memorandum for Record

(Extract of Memorandum from Col Pforzheimer's First Trip Vol. II)

1. Reference air courier 20 July 1945, subject as above, to the undersigned from BOWD and paragraph 3 (including TAB G) of air courier of 20 July to BOWD, a meeting was held at 1530 hours in Room 545 at USFET MAIN headquarters Colonel Frederick Brown (Chief, Special Activities and Morale Group, G-1), Major W. R. Jorgenson (Fiscal and Legal Section, Special Activities Branch, G-1), Colonel Harris (Office Fiscal Director); from German Currency Section USFET, Lt. Colonel Cragon and Major Walitchek (Chief of Currency Section, Chief of Funds Branch respectively); from US Group CC, Colonel B. Bernstein (Chief, Currency Section); and the undersigned.

2. The contents of reference memorandum from BOWD, and inclosure thereto, were discussed in the light of Theater experience, information now available from contacts with the Russian Zone and direct information received from Commanding General, US Forces in Berlin. The many clever devices which military personnel have used, first to acquire US and/or Russian issued AM marks and indigenous marks, and second to dispose, or to attempt to dispose, of same were explored.

3. Various suggestions were made by those to whom the BOWD memorandum had been forwarded for comment. Of the various proposals, four were seriously considered:

a. Deny American military personnel the right of converting any style marks into dollars, within or without Germany.

b. Require American military personnel to declare at the pay table the amount of Reichsmarks needed for the ensuing month, and allow no reconversion beyond that amount for the balance of the pay period.

c. Issue foreign exchange control cards to all American military personnel on which there would be entered, always in dollar counter

value, the amounts drawn in AM marks (from regular pay and allowances, etc. as well as from bona fide remittances and other instrumentalities legally received in dollars) and all remittances by PTA or APO, for bond purchases and soldiers' deposits; the amount converted back into dollars at no time to exceed the dollar equivalent of Reichsmarks drawn as pay or otherwise legally acquired.

d. Credit all soldiers' pay and allowances in dollars in the US, allowing American military personnel to draw AM marks as needed, but without the privilege of reconvertng any marks into dollars.

4. Reactions to the foregoing proposals may be briefly summarized:

a. Suggestion 3a I explained was contrary to War Department policy, contrary to War State and Treasury Department positions as outlined to the Congress in report on HR 150, and contrary to the intent of the Congress in passing Public Law 554, 78th Congress, and 2nd Session. Except in those countries where pay and allowances are disbursed in dollars because of the existing local chaotic financial conditions, American military personnel are guaranteed the right of conversion back into dollars, at the same rate at which drawn, any local currencies excess to their needs.

b. Suggestion 3b places the GI in a position of not having, perhaps, enough local currency to make purchases that he may desire and would also discriminate against those paid in regular payrolls as against those paid by voucher or drawing pay irregularly on partial payment forms.

c. Suggestion 3c seemed worthy of fullest consideration. I explained that the BOWD (and referred to paragraph 3 of your memorandum of 29 July) had for many months been advocating some type of foreign exchange control card. This had been done, not particularly in anticipation of specific complications in Germany, but rather as a manner of avoiding all types of trouble inherent in a Theater using as many currencies as the European, and as a control device in moving large bodies of troops out of a multi-currency area back to the United States or direct to the Pacific Ocean areas without affording equal opportunities for foreign exchange profits. Further comments on the foreign exchange control card will be found below.

d. Suggestion 3d appears to me to be entirely contrary to the concept of the Pay Adjustment Act, as amended, of 1942, and too closely akin to the methods used by the Germans in, for example, France where Nazi troops were paid in reichskreditkassenscheine. The latter were not legal tender in greater Germany, were forced upon the peoples of occupied nations at an arbitrary rate of exchange, and were disbursed to the German troops without regard to their actual credited earnings.

5. Various factors clearly indicate the preferability of the foreign exchange control card.

a. The reference to same in paragraph 3 of BOWD memorandum of 20 July.

b. The implication of War Department approval of such type of control, indicated in paragraph 7 of the proposed War Department cable.

c. Effective control, with the least number of loopholes, of conversion into dollars, in a manner that would not circumscribe such conversion by the GI up to the total amount of his pay and allowances, (plus other legally acquired dollars) and at the same time protect the Ameri-

can taxpayer from having to provide dollars for the redemption of foreign currency derived from sources open only to military personnel who happen to be stationed in certain areas where commodity scarcities permit realization of highly inflated prices for commonplace items.

d. Since each soldier would carry his own foreign exchange control card, thereby permitting of entries thereon by Class A disbursing officers and by disbursing officers who pay numerically lesser groups of casals and overhead personnel, the additional man-hours of work inherent in the cards would not result in any material increases in required Finance Department personnel. However, there might be the necessity of some increment in Army postal service personnel who are presently carrying a heavy burden in the Theater. The over-all personnel increment required was estimated at around 5 percent.

e. If the cards are used the consensus of opinion was that the amount convertible into dollars should not exceed the drawings (and regular receipts) entered on the card. Such a ruling, I believe, has decided merit in that placing such a limit on conversion into dollars will remove any need for distinction between and discrimination against the US/Russian issue of Am marks or indigenous reichsmarks. The US Group CC representative, of course, felt this particularly important.

6. An entirely new subject was also discussed in great detail, because of its direct bearing on the problem. Likewise, I had a problem to lay before the meeting at the request of the American Embassy in Paris, following informal receipt by them of some inquiries from the French Minister of Finance and of National Economy.

a. The currencies in question are the medium of exchange which will be in circulation, in one form or another, throughout a country which is being occupied by the military and entirely governed by them. Thus, it would appear that the approach to currency problems should be made, not on a narrow military regulation basis, but rather from the governmental point of view. That is, the army should at this time approach currency control as it affects the currency in use in zones for which it is politically, economically, and financially responsible, from an over-all point of view and not merely as a problem in trying to establish safeguards against the ingenuity of a relatively small number of military personnel.

b. The various countries of Europe are now engaged in restoring to normal their national life as rapidly as varying local conditions permit. Every Sovereign nation has the right to currency, commodity, etc., control, both internal and at its borders. The UK has for many months required certain frontier controls, re-established along peace-time lines, and permitted ever-decreasing latitude to military personnel, particularly since VE day. Another example is the recent British discontinuance of the Bank of England guarantee of \$4.035 for £1 in the US and in certain Latin American countries. In many areas the days of "easy dollar revenue" are rapidly vanishing as Allied troops are deployed out of many areas where they were formerly heavily concentrated. The French government has been studying the problem for some time; late last week the Minister of Finance and of National Economy indicated informally to the American Embassy that France was considering the re-establishment of regular customs duty controls at her frontiers. These controls would include the usual traditional French bans on the introduction into France of more than

a modest amount of alcoholic and tobacco products, and the imposition of certain duties on merchandise brought into France and not clearly destined for re-export. The Minister inquired informally as to what the US Army reaction would be to such re-establishment of customs control and how it could be accomplished in conjunction with the US Armed Forces, particularly at ATC installations. I mentioned M. Pleven's inquiry to the meeting at Frankfurt.

c. USFET Headquarters have likewise been thinking in terms of potential frontier controls of all kinds. Included in this advance planning is a gradual diminution of the very widespread facilities which the army has been maintaining for the acquisition, mailing through military postal channels and freedom from most restrictions of all kinds, of local merchandise. In addition, finance and disbursing officers of the U. S. Armed Forces have provided a wide variety of services, not only to American military personnel, but also to so-called "authorized" and to Allied military personnel, never contemplated as part of the Finance Department mission. The AC/S, G-2, USFET MAIN, is now actively exploring the possibility of the U. S. Armed Forces instituting in its zones of occupation the same type of frontier controls (including financial) that any ordinary central government would prescribe for its own country. It is G-2's intention that such frontier controls would apply to all other nations, except for any bulk troop movements that cross international boundaries under competent orders and with a responsible officer in charge.

d. These proposals of G-2, particularly insofar as they relate to Frontier controls of the flow of currencies, have a very material bearing on the application in the European Theater of a system of foreign exchange control cards.

7. Other than administrative problems, and the adjustments in Finance Department and Army Postal personnel T/O's referred to in paragraph 5d the use of the foreign exchange control card, in conjunction with effective frontier control, would seem to offer the best solution to the foreign exchange problems of this Theater with particular reference to mark currencies.

a. Contemplated manner of using the cards would accomplish the various controls set forth in the proposed War Department cable.

b. There would be no discrimination between AM marks (other than the Russian issue 1000 mark notes or any indigenous currency in denominations higher than that used by U. S. disbursing officers) and indigenous marks.

c. American military personnel would be prohibited from converting into dollars the proceeds of gambling and of sales of personal and/or government property.

d. The immediately foregoing is predicated upon the right of American military personnel to convert into dollars, at any time, foreign currency presented to U. S. disbursing officers, provided the amount thereof does not exceed the difference between the credit and the debit entries on his foreign exchange control card. Credits on the card would be entered whenever military personnel appeared before properly qualified army personnel to draw pay or allowances, to cash express checks or other dollar instrumentalities legally acquired, money orders and/or Treasury checks derived from prior pay periods. Debits would be recorded on the card whenever military personnel

presented themselves at duly authorized army installations for the transmission of dollar funds home, purchase of war bonds and/or making soldiers' deposits.

e. Military personnel, under foreign exchange control card system, would likewise have the right to exchange their funds from one foreign currency into another foreign currency, up to the limit of the dollar equivalent of the credit balance on the card. The present Theater thinking does not contemplate that such foreign exchange transactions, not involving actual physical dollar currency, shall be entered upon the cards. Further comments will be made on this proposal below.

f. When implemented in conjunction with foreign exchange control cards, frontier control implies that American military personnel will get no exchange facilities within any one foreign country, except the right to convert the currency of that one foreign country into dollars, and then only to the limit of the credit balance of his foreign exchange control card.

g. Foreign exchange control cards lost by American military personnel would only be replaced, following careful investigation, by another card bearing some legend indicating that the owner was using a card neither dating back to the inception of the plan nor his original card if same had been issued subsequent to the inception of the plan.

8. Even the implementation of foreign exchange control cards in the hands of military personnel and the use of frontier controls leaves certain loopholes.

a. The procedure described in paragraph 7e above would allow American military personnel to effect conversions from one foreign currency into another at several army disbursing offices each time for as much as the credit balance on his foreign exchange control card. This means that a soldier, while he could not receive dollars in excess of his card credit, could convert several thousand reichsmarks into an excess of French francs, by using many different finance offices within Germany if he had orders to proceed as a casual to France. These francs would then be spent in France and would, in the long run, affect our dollar equivalent of net troop pay agreement with the French in favor of France. The soldier would have to make these conversions from marks into francs in Germany, with competent orders to proceed to France, as he would not be allowed to exchange reichsmarks in France, except under unusual circumstances.

b. Several European nations, both belligerents and neutrals, notably the UK, have commercial facilities available for the transmission of dollars to the United States up to variously limited amounts. In the case of the soldier who had excess marks, he would first have to acquire sterling, again under competent orders to proceed to the UK. In the UK, most British banks would not accept more than £100, that is around \$400, for transmission to the U. S. Most neutral countries are safeguarding their financial position jealously; for example, in order to implement the Swiss leave tour program, the army had to agree that no military personnel would be allowed to acquire in excess of 150 Swiss francs apiece prior to entering Switzerland for a tour. Thus, this loophole is not too serious.

c. American military personnel who had illegally acquired marks or any other foreign currency, greatly in excess of normal pay and allowances, etc., and where the amounts illegally acquired far ex-

ceeded that which he could use in the relevant country, might well purchase merchandise in long supply in that country and carry it in kind into a country where the same item is in short supply for sale in a black market. In fact, M. Pleven indicated informally to the Embassy that this was one of the factors impelling the French to examine restoration of customs control on the French frontier; large numbers of German cameras, binoculars, small arms, etc., are appearing in France. The GI realizes large quantities of francs on the sale of such items; when he turns these in, naturally the dollar equivalent of net troop pay agreement with France is affected to the disadvantage of the French.

d. Many American military personnel consistently draw a certain amount of pay and allowances in foreign currency and never return any of it to disbursing offices for conversion into dollars. Such personnel will gradually acquire ever-increasing, and ultimately substantial, credit balances on their foreign exchange control cards. There is always the possibility that whenever the holder of a large credit balance card is ordered out of the Theater he may sell it, or trade it, to a buddy remaining behind. The buddy remaining behind could then conceivably use his own foreign exchange control card for ordinary transactions with his own Class A agent officer or disbursing officer and the second card (or additional cards) as a means of remitting to the States the dollar countervalue of foreign currency which he had not legally acquired. This loophole can to some extent, with due diligence, be checked by the Theater; but this loophole could conceivably have some effect in those countries where we have dollar equivalent of net troop pay agreements, and would provide a means, long and tedious, for soldiers to get the dollar equivalent of reichsmarks back to the States. Presumably no PTA or APO remittance of soldiers' deposit could be made except in the name on the foreign exchange control card, but this would be difficult of implementation and would, except for soldiers' deposits, tend to circumscribe the GI's freedom of sending legally acquired funds to whomsoever he desired.

9. The entire matter will continue to receive the urgent attention of USFET Headquarters.

a. It was pointed out that, if possible, the introduction of foreign exchange control cards should be made simultaneously with frontier control.

b. Headquarters USFET is anxious to know whether the War Department is contemplating world wide application, outside of continental United States and American territory using dollars, of the foreign exchange control card.

c. As a temporary stopgap, the Theater is adopting the Berlin procedure of limiting conversion by finance office or APO offices to one month's unencumbered pay and allowances plus ten percent. Such transmissions are to be made temporarily only through the personnel or Class A agent officers, all other channels to be temporarily closed. Records will be maintained of remittances made during this period. Cooperation of banks in areas such as the UK will be requested to prohibit remittances through such commercial channels except by military personnel who already have bank accounts, and then only up to the limit of such bank balances.

(S) C. H. PFORZHEIMER, Jr.

## MODIFICATIONS OF ACCOUNTING GUIDE

CAD Operations Div., WDGS

OPD 311.23 CAD 73766 Lt Col Hilliard  
4 AUGUST 1945.Headquarters, US Forces European Theater, Main,  
Frankfurt, Germany.

X To: Number: WAR 44757

Signed WARCOS.

After transmission to you of basic accounting guide in WAR 26362 desirable modifications were included similar accounting guide furnished to CGUSFA. To insure uniformity procedures following basic accounting guide for United States Zone Occupation Germany incorporating above modifications will be substituted for accounting annex contained paragraph 3 WAR 26362.

1. Financial Div Mil Govt United States Zone Occupation Germany will be so organized as to provide for:

A. Centralized control accounts and records.

B. Uniformity accounting policies and procedures.

C. Appropriate subdivisions major financial functions such manner as to assure appropriate internal controls and safeguard, including separation accounting controls from functions handling cash.

2. Financial Div should so far as practicable incorporate in its procedures standards of personal accountability and personal responsibility equivalent those applicable throughout United States Mil and Naval Forces.

3. Financial Div should keep appropriate centralized records all Allied mil mark, German mark or other currency made avail from any source for either Mil or Mil Govt purposes. All AM marks and German marks required in area either for Mil or Mil Govt purposes should be obtained from Financial Div and appropriate centralized records pertaining thereto should be kept.

4. AM marks and German mark currency advanced by Financial Div will be evidenced by receipts. In respect each advance to United States Mil and Naval disbursing officers, Financial Div will report by radio details thereof to War or Navy Dept as case may be which in turn will report to United States Treasury. In addition each disbursing officer recipient will submit independent radio report of amount received by him to War or Navy Dept as case may be. For your info upon receipt these reports War or Navy Dept will authorize Treasury Dept reduce official checking account balance of disbursing officer concerned by dollar equivalent of reported advance at established rate exchange and to set aside same amount in earmarked account.

5. For expenditures made by United States Mil and Naval disbursing officers in area normally chargeable to appropriation of United States Forces, vouchers evidencing such payments should be scheduled in disbursing officers official accounts in manner normally followed reporting expenditures appropriated funds. For expenditures of Mil Govt nature made by United States Mil and Naval disbursing officers in

area, vouchers evidencing such payments should be delivered to Financial Div and the United States Mil or Naval disbursing officers reimbursed for the total amount of such expenditures. All disbursements in the area from United States appropriated funds should be made by United States Mil and Naval disbursing officers and so far as practicable all other expenditures in area should be made by German authorities as directed by Mil Govt. To assist you in segregating expenditures chargeable to War and Navy Dept appropriated funds definition of such expenditures will follow.

6. Vouchers evidencing disbursements for Mil Govt purposes should be plainly marked "Mil Govt" or given other distinctive marking at time disbursement is made by United States Mil or Naval disbursing officers. Such vouchers will be considered as cash in accounts of United States Mil or Naval disbursing officer making the payment until reimbursement is received from Financial Div. Financial Div will accept such vouchers and maintain appropriate accounting records indicating total amount paid and purpose for which paid and will record the debit against the appropriate German authority administration or agency.

7. When collections are received by United States Mil or Naval disbursing officers for Mil Govt purposes total of such collections should be recorded in accounts of disbursing officer as "Special Deposits." At periodic intervals but not less than monthly total of such collections will be paid over to Financial Div in currency in which collection was made. Appropriate supporting detail as to source and purpose of the funds will be furnished Financial Div by the Disbursing Officer.

8. Control accounts maintained by Financial Div should be stated in terms of marks. If currencies other than marks are involved they will be recorded in terms of marks at official rate of exchange but the accounting records will provide for identification and segregation of all such currencies. Such identification and segregation will not be required as between AM mark and German mark currency except as may be necessary in accounts which may pertain to issuance and circulation AM mark currency.

9. Accounts maintained by Financial Div should be in sufficient detail to provide complete info as to source and disposition of any funds currencies or financial assets acquired by Financial Div from any source within area in order to provide basic data for preparation periodic reports required paragraph 11 below.

10. Provision should be made within framework of Mil Govt United States Zone Occupation Germany for a continuing and current audit to extent practicable of accounts funds assets and supporting evidence in custody Financial Div by personnel who should be independent of personnel responsible for receipt disbursement or custody of funds supplies assets accounts and supporting evidence. As soon as you deem such action practicable it is intended to provide for further audit accounts of your Mil Govt by an agency outside Mil Govt and of completely independent status. This agency, and extent of such independent outside audit, will be designated by JCS.

11. As soon as practicable Financial Div should furnish Treasury United States, War and Navy Depts with the following periodic preferable monthly reports:

A. Balance sheets Financial Div and such supporting schedules as may be appropriate.

B. Statements receipts of funds by Financial Div classifying receipts as full as practicable according to—

1. Source, I. E. from whom received.

2. Character or purpose.

3. Type currency if other than AM marks and German marks are involved.

C. Statements disbursements and advances of funds according to—

1. Recipients.

2. Character or purpose, and

3. Type currency if other than AM marks and German marks are involved.

D. Currency statements showing amounts AM mark currency issued redeemed destroyed and outstanding.

12. Instructions will follow relative accounts civ supplies coming under your control for civ use.

End

Originator: CAD

Information: ASF-Fisc, OPD, Mr McCloy, Bud. Div.

#### PAYMENT OF POLISH DPS AND PRISONERS OF WAR

PRIORITY

PARAPHRASE NOT REQUIRED PER EXCEPTIONS PARAGRAPH 44g AR 380-5

From: CG, US Forces, European Theater, Main, Frankfurt, Germany.

To: War Department.

Nr. S-15652.

5 AUGUST 1945.

From USFET Main S-15652 to AGWAR for WARCOS signed Eisenhower cite ETGEC.

The reference is WX-40690 dated 29th July.

US Currency Section, Germany, requests specific authorization for advances of Allied military marks for pay and other expenses in connection with care and maintenance of Polish DPS and prisoners of war in US Zone to representative of Polish GHQ, London, who is chief of former Polish Military Mission to SHAEF and subsequently Acting Chief of Provisional Military Mission to USFET pending appointment of new liaison mission by Polish Government in Warsaw.

End

Action: CAD.

Info: ASF, OPD, Mr. McCloy, Budget Div.

## GERMANY ADVANCES ALLIED MILITARY CURRENCY

Civil Affairs Division  
Operations Division, WDGS  
European Section, WDOPD  
OPD 311.23 CAD Col Hilliard  
73766

8 AUGUST 1945.

Headquarters, U. S. Forces, European Theater, Main, Frankfurt,  
Germany.

Number: UAR 46905

Signed WARCOS

United States Currency Sect Germany authorized advance Allied  
Mil Marks in United States Zone for specific purpose urad Aug S  
15652 pending appointment of New Liaison Mission by Polish Govt  
in Warsaw.

End

Note: S 15652 is CM-IN 5199 (5 Aug).

Originator: CAD.

Information: OPD, Mr. McCloy, Bud Div.

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EXCHANGE OF CONTINENTAL CURRENCIES

reRECD AUG 070015B

Dated: Aug 051332Z '45.

From: ATC Casablanca.

Action to: TSFET Rear to Lee.

Ref. No.: 403-W.

PRIORITY

Reference your radio E-76034 dated 4 August.

Current directive Headquarters ASF, Washington requires continental currencies be exchanged in your theater. Desire not expressed here to make such exchanges locally unless cited direction changed and specific instructions received this Headquarters.

Base finance officer Cazes not authorized to speak for this division. As solution to black market activity suggest exchanges be made by your theater shortly before departure and proper safeguards established to prevent outside contacts thereafter by Green Project personnel.

Action: Fiscal Director.

Info: G-1.

## TRANSMISSION OF OCCUPATION CURRENCY BY MILITARY PERSONNEL

## PRIORITY

To: US GROUP CONTROL COUNCIL; THIRD ARMY; SEVENTH ARMY; FIFTEENTH ARMY; XVI CORPS; USSTAF; EDATC; GPRC; ECAD; MIS; BERLIN DISTRICT; TSFET REAR; USFET MISSION TO FRANCE; USFET MISSION TO NETHERLANDS; USFET MISSION TO BELGIUM, LUXEMBOURG; USFET MISSION TO NORWAY; USFA; TASK FORCE "A".

From: USFET MAIN SIGNED EISENHOWER.

Ref. No.: S-16189 CITE: ETGAP TOO: 072200B.

## BOOK MESSAGE

Message this Headquarters Reference Number S-15390 dated 31 July 1945 is rescinded.

1. Until further notice the transmission by military personnel of funds to any point outside the Theater in a single calendar month in an amount equal to or amounts aggregating a sum which is in excess of the sender's unencumbered pay plus 10 per cent is prohibited and utilizing for such transmission means other than those afforded by United States Army Finance Officers, Army War Bond Officers, or through the Army Postal Service is also prohibited.

2. All persons (excluding officers of field grade and above) desiring to transmit funds by PTA, Postal Money Orders or by purchase of War Bonds will submit applications in suitable form to the appropriate Commander (Company or Regimental) who is charged with assuring himself by such inspection of pertinent records including WDFD Form 33 (Soldier's deposit book) as is necessary, that the funds sought to be transmitted by the applicants concerned during any given calendar month plus any deposits made by them during the same month, singly and collectively, do not exceed such individual's unencumbered pay plus 10 percent. Such Commander is thereafter further charged with causing approved applications to be transmitted to the Army Agency responsible for final processing thereof together with appropriate evidence of such inspection and approval.

3. Finance, Postal, and War Bond Officers are prohibited from accepting any applications for transmission of funds by persons below commissioned field grade unless accompanied by the evidence of inspection and approval described in Par 2 above.

4. It is desired that this matter receive the personal attention of all commanders.

New Subject.

No Allied Military Mark notes in denominations of 1000 or higher have been disseminated through official United States Army channels; consequently they will not be accepted by any Army Agency effective upon receipt of this directive. Inform all concerned.

Originator: G-1

Authentication: Randell Larson, Colonel, GSC.

Information: SGS; G-2; G-3; G-4; G-5; ACS; AG; COMNAV-FORGER; CWS; QM; ICD; VB; USSTAF ADV; WAR CRIMES BR; MEDICAL; OCOT FWD; HQ COMD; PRD; USFET REAR; SIGNALS; ENGRS; RCG; SUMMARY; AG RECORDS.

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TRANSMISSION OF OCCUPATION CURRENCY

RESTRICTED

PRIORITY

To: US Group CC, Third Army, Seventh Army, Fifteenth Army, XVI Corps, USSTAF MAIN, EDATC, GFRC, ECAD, MIS, Berlin District TSFET REAR USEET Mission to France USFET Mission to Netherlands, USFET Mission to Belgium, Luxembourg, USFET Mission to Norway, USFA, Task Force A Com-navforger.

From: USFET Main, Signed Eisenhower. Cite: ETGAP.  
Ref. No.: S 16592. TOO 091830B.

BOOK MESSAGE

Message this headquarters reference number S 16189 Cite ETGAP dated 7 August 1945.

The following immediately is effective:

1. Paragraph 1 message cited above, the provisions apply to all civilian personnel in and under the military establishment (Army and Navy) who enjoy the privileges of either Army or Navy Finance of Postal facilities or who purchase War Bonds for cash from either Army or Navy agencies.

2. Message cited above, paragraph 2, the provisions apply to all civilians defined in paragraph 1 above who have no assimilated rank and those who have assimilated rank up to and including company grade.

3. In paragraph 1 above all field grade officers and all civilian denied above who hold assimilated rank of field grade and above will prior to every transmission of funds to the *United States* via Army or Navy Finance Officer; Army or Navy War Bond Officers or through Army or Navy Postal Services execute certificate as follows:

"I certify that this transaction plus any prior similar transactions executed during the current calendar month does not exceed a sum equal to my unencumbered pay plus 10% for this calendar month."

Such certificate will be legibly signed and the grade, serial number or comparable civilian designation furnished together with complete address and APO number.

Inform all concerned including all civilians and civilian organizations under your jurisdiction.

S 16189 is SMC OUT 1457 7/8/45 G-1.

Originator: G-1.

Authentication: R. LARSON, Col.

RECAPITULATION OF VARIOUS ITEMS HANDLED TO DATE IN USFET  
SINCE 2/3 AUGUST 1945HEADQUARTERS, U. S. FORCES,  
EUROPEAN THEATER (REAR),  
APO 887,  
12 August 1945.

## Memorandum.

To: Budget Officer for the War Department.

Finally succeeded in reaching AAF Airport A-42, just outside of Versailles, yesterday afternoon. Went straight to the Embassy for a long meeting with Mr. Ball. Have, as of this morning, not been able to see any of the TSFET Headquarters personnel as the headquarters is officially closed on Sunday.

1. *French Relief Arrangements.* a. With regard to the cash issuance, as implied in Par. 1a of my air courier of 2 August, there have been drastic changes in the French approach. The various xray conversations with you and the Treasury and with Mr. Ball and/or myself from 3 through 11 August have kept both sides of the Atlantic up to date as to actions taken.

b. The purchasing by military personnel on a tax exempt basis in French shops was announced in the Paris edition of Stars and Stripes of 9 August. Today being Sunday, I have had no opportunity to confer with Major Brewster of TSFET, in general charge of the program, as to how it is working out. Despite representations made, the coupon, (Tab A of my 2 August air courier) has not been published in Stars & Stripes. I have the feeling that TSFET is approaching this problem with no more enthusiasm toward helping out the GI in France than they have any other portions of the program to date.

c. The Seine Base Section, however, has opened another night club for the enlisted GI's on the first platform up in the base of the Eiffel Tower. Business arrangements are the same as heretofore; prices very low; and the club has, since its opening last week, been very successful.

2. *Financial Arrangements in Northwest Europe.* a. Upon arrival yesterday evening in the office here I found WAR 45317 of 7 August. With reference to Paragraph 3, necessary steps will be taken immediately to revise the last sentence of the last paragraph of the proposed letters from Commanding General, USFET, to the French and Belgian Ministries of Finance, respectively, in order to reflect your new instructions. Will confer with the Theater Fiscal Director tomorrow relative to paragraph 4 of your radio, and advise by cable.

b. Will also confer with Theater Fiscal Director relative to paragraph 2 of WAR 45317. From previous conversations I had on the subject with General Cobbs, believe that outright cash purchase of Norwegian currency requirements will be considered most expedient. Your instructions concerning repurchase agreements and complete protection in case of devaluation, will be followed in dealing with the Norwegian and Danish Governments.

c. Details concerning Belgian negotiations are included as Tab A.

3. *Control of Foreign Exchange Transactions in the European The-*

ater.—During my enforced lay-over in Frankfurt, held a series of meetings with the interested staff officers concerning this problem, particularly in relation to the problem of the reichsmark.

a. Interim instructions have been sent by TWX on 7 August for the personal attention of all commanders in the Theater. Until further notice the following interim regulations are in force.

(1) The limit for the transmission of funds by military personnel to any point outside the Theater in any single calendar month may not aggregate more than the transmitter's unencumbered pay day plus 10 percent. Transmission through means other than Army Finance, War Bond, or Postal Service officers is prohibited.

(2) Individual unit commanders are charged with handling the applications for fund transmission in such a manner as to stay within the limits described in the preceding subparagraph.

(3) Finance, War Bond, and Postal officers are prohibited from effectuating any transmission of funds unless the application therefor is accompanied by the appropriate evidence of inspection and approval provided in the preceding subparagraph.

(4) By amendment the provisions of the foregoing three subparagraphs, originally applicable to all military personnel of company grade or lower, are now made applicable to all military personnel of field grade or lower and to civilian personnel, in and under the military establishment, who have access to army facilities for the transmission of funds.

(5) Suitable action has been taken by the Theater to prohibit the acceptance by any army agency of any Allied military mark notes higher than the 100-mark denomination.

c. Further discussions have been had relative to the foreign exchange control card described in Tab C of my air courier of 2/3 August. The Theater Fiscal Director is working on a suitable type of foreign exchange control card and appropriate directive to accompany the issuance of same. General Eisenhower is very much interested in the entire project and, as described in my X-ray conversation with you from Frankfurt on 10 August, believes that all controls of foreign exchange transactions by personnel under his command should be stiffened.

d. G-1 of USFET MAIN is quite anxious to initiate the foreign exchange control card system as soon as possible. The officers of the G-1 Section in Frankfurt, charged with this problem, have approved Tab C of my previous air courier, and request that the War Department furnish the Theater either with

(1) Earliest approval of their plans to issue foreign exchange control cards in a form to meet their problem; or

(2) Provide USFET earliest with any proposed foreign exchange control card presently contemplated by the War Department for general application.

C. H. PFORZHEIMER, Jr.,  
Colonel, GSC.

## RELAXATION OF CURRENCY CONTROLS

To: CG Berlin District.

For Info: US Group Control Council, Third Army, Seventh Army, Fifteenth Army XVI Corps, USSTAF (Main), EDATC, GFRC, EGAD, MIS, TSFET (Rear), USFET Mission to France, USFET Mission to Netherlands, USFET Mission to Belgium, Luxembourg, USFET Mission to Norway, USFA, Task Force "A", COMNAV-FORGER.

From: USFET Main. Signed Eisenhower. Cite: ETGAP.

Ref. No.: S-17234. Too: 131730B.

The following message from Commanding General BERLIN District reference No. V-X-31170 is quoted and answered below:

"Your message S-16592 is reference.

Due to accumulated savings made from unencumbered pay by individuals for use on leave, travelers checks in possession and numerous instances where pay has not been drawn for several months, request authority to modify certificate required by para 3 to eliminate the words "executed during the current calendar month" and "for this calendar month."

New Subject: Is unlimited exchange of Allied Military Marks for French, Belgian Francs; Dutch guilders and pounds Sterling authorized?

Request immediate reply to both questions."

The intent of monetary transfer restrictions, is the limitation of transfer to amount of dollar equivalent which has been derived from United States official sources. Directives contained in messages S-16189 and S-16592 are temporary expedients pending issuance of directive on Theater monetary transfer and exchange system. In the interim, you are authorized to make exceptions to such temporary expedients in individual cases where it can be established that transfer is in accord with the above stated intent.

With respect to the question relating to unlimited exchange of Allied Military Marks for French, Belgian Francs, Dutch Guilders, and Pound Sterling, the answer is "no." The policy which applied in the case of transfers into dollars, as outlined above, will be observed.

Major Commands and organizations receiving this message on an information basis will consider the provision hereof as being applicable to them as well as to the addressee.

UX-31170 is SMC In 7312, 12/8/45, G-1.

S16592 is SMC Out 2037, 9/8/45, G-1.

S-16189 is SMC Out 1457, 7/8/45, G-1.

Originator: G-1.

Authentication: F. J. BROWN, *Colonel*.

Information: SGS, COMNAVFORGER; G-2, USSTAF ADV; G-3, OCOT FWD; G-4, WAR CRIMES BR; G-5, HQ COMD; COORD: G-5; ACS, USFET REAR; AG, SIGNALS; CWS, SUMMARY; QM, AG RECORDS; ICD, MEDICAL; RCG, ENGINEERS; PRD, VB.

## DISCOVERY OF GERMAN MARKS IN MERKERS MINE

CAD, Opns Div, WDGS  
OPD 311.23 CAD  
Lt. Col. Hilliard 73766

15 AUGUST, 1945.

USF: European Theater, Main, Frankfurt, Germany.  
Information: United States Group Control Council, (Germany)  
(Main) Berlin, Germany.  
Commanding General, United Kingdom Base Section, London,  
England.

Number: WARC 50318.

Repeat info UK Base for British Chiefs of Staff signed WARCOS.

Use German mark currency uncovered Merkers mine and elsewhere Germany by Allied mil forces. Ref VOGS 462, 496, 502, GOV 358, above mentioned German Reichsmark and Rentenmark currency uncovered by United States elements Allied Forces and now custody such United States elements will be deposited at Reichsbank Frankfurt for official credit of financial div, mil govt United States Zone occupation Germany. Pending further instructions this deposit account will not be drawn upon for any purpose whatsoever and will not be brought onto books of any finance officer/paymaster.

End

GOV 358 is CM-OUT-11995 (June).

VOG 496 is CM-IN-3188 (4 June).

VOG 502 is CM-IN-8856 (10 June).

VOG 462 is CM-IN-29848 (31 May).

Originator: CCAC.

Information: ASF, CCS, OPD G-2, Adm. King, Mr. McCloy, Budget  
Division.

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MERKERS MINE MARKS

27 FEBRUARY 1947.

From: OMGUS Berlin, Germany sgd Clay.

To: War Department for WARCAD.

Nr: CC 8191.

1. Reurad WX-92055, 9th January 46, W-85085, 27 November 45, WX-50318, 16th August 45, Subject: Reichsmarks captured in Merkers Mine.

2. In connection with transformation of Reichsbank Branches in U. S. Zone into Land Central Banks taking following action regard to Reichsmarks captured in Merkers Mine and on deposit with Frankfurt Brichsbank.

3. The notes will be moved to a new vault to be provided by the Finance Division in the same building where they have been since 1st September 45. However, as part of the unissued reserve of the Reichsbank System, they will henceforth constitute a safekeeping deposit with the General Trustee for the Reichsbank in the U. S. Zone, now a credit deposit with the Land Central Bank of Hessen. The General Trustee has been appointed by the 3 Finance Ministers of the U. S.

Zone, under the powers vested in them by the Land Central Bank Laws, to safeguard this fund and to coordinate the work of liquidation of the Reichsbank in the 3 laender.

4. From the beginning of the occupation through 31st December 46, the Reichsbank Branches in the U. S. Zone have destroyed according to law approximately 600,000,000 Reichsmarks of Currency no longer fit for circulation. This amount has been carried on the books of these banks as claims against the Reichsbank Berlin. In order to enable the Land Central Banks to take over deposit liabilities of the Reichsbank Branches without having to publish balance sheets listing these 600,000,000 Reichsmark claims against the Reichsbank Berlin as assets covering these liabilities, the General Trustee will replace the destroyed notes with notes from the Merkers Mine Reserve. In exchange, the Trustee will receive the certificates of legal destruction of Reichsmark Currency and the corresponding claims against Berlin from the Reichsbank Branches.

5. The Land Central Banks are faced with a problem of constantly diminishing liquidity because of the steady and rapid physical deterioration of the Reichsmarks in circulation. In order to enable the Land Central Banks to maintain their liquidity and to carry out their function of "Regulating the circulation of currency", the General Trustee will replace Reichsmark Currency no longer fit for circulation submitted to him by the Land Central Banks with notes from the Merkers Reserve.

6. All these transactions will be conducted in such a way that there will be no net addition to the amount of currency in circulation. The General Trustee will, at all times, have a sum of notes and certificates of destruction of currency in his possession equal to the original deposit of 2,759,401,200 Reichsmarks.

End

Action: CAD.

Info: ASW, ID, P&O, SSP, BUD, FIN.

#### PRINTING OF ALLIED CURRENCY

Civil Affairs Division  
Operations Div WDGS  
OPD 311.23 CAD Lt. Col. Hilliard  
73766

22 August 1945.

To: United States Group Control Council (Germany)

Berlin Germany.

Number: WAR 53800

Remarks: WARCAD.

Treasury Dept reemphasizes ref Aug. WAR 44843 urad Aug S 17068 difficulty insuring prompt availability facilities printing additional Allied mil mark currency due arrangements commitments which must be made by Treasury Dept with private concerns here relative thereto. Request decision by 1 Sept if possible as to placing order and amount and denominations thereof.

End

Note: S 17068 is CM-IN 12430 (12 Aug).

Originator: CAD.

Information: ASF, Mr. McCloy, Budget Division.

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AUDIT OF ACCOUNTS OF ALLIED CURRENCY

CCS CCAC 73766 Lt Col Hilliard

22 AUGUST 1945

Combined Administration Liquidation Agency, Versailles, France  
Commanding General, US Forces European Theater Main, Frankfurt, Germany.

Commanding General, United Kingdom Base Section, London, England.

British Joint Staff Mission, Washington, D. C.

Number: WARX 53674.

To CALA for action from CCS cite CCAC repeated information USFET for GES, U K Base Section for CCAC/L, and repeated AMSSO for BCS.

This is GOV 425. CALA Audit Section.

1. Establishment CALA G-5 Audit Section with responsibilities recommended paragraph A VOG 570 approved.

2. Para B VOG 570 is under consideration in light of S 16790, S 16934, HG 1675 relative to which.

A. It is considered indispensable that internal administrative audit of accounts of former SHAEF currency sect for Germany as of date termination of Combined Command be completed prior to survey SHAEF accounts by combined auditors which have been appointed by CCS. This combined audit body is composed of representatives comptroller general of United States and comptroller and auditor general, dept exchequer and accounts, acting as agents of CCS and representing United States and United Kingdom respectively. These auditors are now coordinating plans and procedures prior to exercising their functions in theater in near future.

B. Internal administrative audit mentioned sub-para A above should be made either by CALA G-5 audit sect, IE former SHAEF G-5 audit sect, or other appropriate combined group, since unilateral audit of combined accounts is inappropriate and cannot be approved.

C. Reference S 16790 para 3 A has been answered in WAR 51027. It is desired that in so far as liberated countries are concerned, channels communication established in GOV 406 be maintained for technical matters relative to cash and civilian supply accounting, coordination to the facilitated by repeating such messages to CG USFET and British Chiefs of Staff for information.

2. In view interchange of cables mentioned para 2 above request your further recommendations soonest concerning completion of audit of accounts of former SHAEF Germany currency sect. Upon receipt such further recommendations reply to para B VOG 570 will follow.

End

VOG 570 is CMIN 5348 5 Aug.

S 16934 is CM IN 11781 12 Aug.

Originator: CCAC.

Information: ASF; CC/S; OPD; G-2; Adm King; Mr. McCloy;  
Budget Division.

29 AUGUST 1945.

### CURRENCY EXCHANGE CONTROL

To: The Chief of Staff.

#### I. DISCUSSION

1. *a.* By letter, this headquarters, file AG 123 OpGA, subject, "Possession by Military Personnel of German Indigenous Currency in Any Denomination or of Other Continental Currency Notes Which Exceed Certain Denominations," dated 19 April 1945, copy of which is at TAB A, a policy was established whereby only Allied military authority German marks would be used for disbursements or other official transactions, except that in the case of payments made to Germans for commodities and services officially requisitioned or procured, German-issue money (from accumulated stocks) would be utilized to the maximum extent. This policy also provided that German indigenous currency in any denominations would not be accepted by disbursing officers for exchange, PTA (Personal Transfer Account), or other transactions on behalf of individuals as such; by war bond or post exchange officers for cash purchases; by postal officers for stamps, money orders, etc.; or by any other personnel (excluding civil affairs officers) handling official or quasi-official funds.

*b.* The above proved to be an effective check on participation by American military personnel in black-market operations. Currency so acquired was, almost without exception, of native issue, and the prohibition against exchange of this native currency greatly reduced the amount which was offered for conversion into other currencies or securities, for ultimate conversion into American dollars.

*c.* The following recent developments, however, have radically changed the situation described in *b* preceding and consequently have virtually nullified the above described control:

(1) The Russian Army pays its troops stationed in Germany only in Allied military authority marks printed on plates loaned the Russian Government by the United States Treasury. According to report at TAB B, the Russian Army has no system whereby their soldiers can remit money home; furthermore, the Russian Government decides what portion of pay and allowances is to be paid in Germany in marks and what portion in rubles in Russia. The individual Russian soldier in Germany has no choice; if he does not draw his pay in marks, he loses it; and if drawn, such marks must be spent in Germany, as they are valueless in Russia. No arrangements exist for the conversion of marks into rubles. The Russian soldiers found little use for money during combat operations and therefore now have great quantities of marks in their possession. As a consequence, considerable amounts of Russian-print Allied military marks are being converted

into dollars through the medium of United States finance offices. For example, a watch may be sold to a Russian soldier for military marks equivalent to as much as one thousand dollars. (See copy of TWX or TAB C). These marks have been presented to one or more finance offices for conversion into other currency or for transmittal to the United States. The net result of these transactions is that the United States is paying out one thousand dollars and receiving paper marks in return therefor, which have no immediate redemption value. In this connection, attention is invited to article which appeared in the Stars & Stripes, August 2, 1945, entitled "\$4,000,000 Sent Home by 33,000 Berlin Yanks in July", copy of which is at TAB D.

(2) The Currency Section, G-5 Division, this headquarters has recently placed into civilian circulation via Reichsbanks in Stuttgart and Frankfurt, 20 million and 10 million Allied military marks, respectively, and further propose placing up to 100 million Allied military marks in each of these two cities and also in each of the following cities: Darmstadt, Munich and Kassel. Except as restrained by temporary measures described in Par. 3 below, this action makes possible the ultimate redemption by the United States of all indigenous currency now in the possession of military personnel which was acquired in past black-market operations—heretofore not redeemable—as well as proceeds from present and future illicit activities.

2. It will be seen from the foregoing that the problem is not alone the control of black-market activities involving military personnel, but also the equally great, if not greater, necessity for protecting the United States in connection with transactions by individuals, which, per se, are not illegal. There is no legal objection in a soldier selling items of personal property; however, there is a very real objection when such sale results in a phenomenal profit to the seller and a correspondingly totally unjustified, loss to the government.

3. As a temporary expedient, G-1 has taken action as indicated by TWX messages, copies of which are at TAB E, TAB F, and TAB G. In brief, they provide that military personnel and civilian personnel in and under the military establishment, who are privileged to use Army or Navy finance or postal facilities, may not transmit funds outside the theater in amounts exceeding their unencumbered pay plus 10 percent, and prescribe such measures for insuring compliance therewith as are administratively feasible.

4. G-1 offers no comment on the fact that the decision to furnish the Russian Government with the plates used for printing Allied military authority mark notes was reached and acted upon without the prior cognizance thereof by this headquarters (insofar as known by G-1), or with reference to the implementation of the action outlined in Par. 1c (2) above, without the prior knowledge and concurrence of either this division or the Theater Fiscal Director. It is assumed, in both instances, that the interests and responsibilities of all concerned were duly considered. G-1 does, however, wish to invite attention to the unfortunate results of the two developments herein discussed and to make of record its studied opinion that the proposed remedial action outlined below, while necessarily involving the denial of certain inherent and traditional privileges of military personnel, is essential of accomplishment to combat such results.

5. a. Pursuant to the foregoing, it is proposed instituting on 15 September 1945 (the earliest feasible date consistent with effective

application), a currency exchange control system. Draft of proposed vehicle for accomplishing this is at TAB H.

b. This system provides, in brief, that on 15 September 1945 messages at TABS E, F, and G are rescinded and that all personnel in this theater subject to U. S. military law will make an initial declaration of their holdings in currencies, including bank deposits, in this theater by executing the affidavit on the front of the Currency Exchange Control Book (see ANNEX A, at TAB H). Such declaration, when approved as therein provided, will be entered as authorized holdings in the Currency Exchange Control Book of the individual concerned by the officer authorized to approve the declaration. Subsequent to this action, all net cash received by each individual from pay and allowances in this theater, together with all transmissions and exchanges of currency from the sum of such receipts and the initial declaration, will be recorded in the Currency Exchange Control Book. In no case will an individual be permitted to exchange or transmit amounts in excess of the total of his authorized holdings. When a book is used up, the balance shown on the old book will be brought forward to the new one and entered as a new declaration for such new book. At that time, however, the amount shown as the authorized holdings in the old book will be reduced to reflect the net cash (including bank deposits) then in possession of the individual concerned. This is to insure that the individual is not given an opportunity to spend substantial quantities without having such expenditures reflected when subsequent books are issued.

6. The temporary measures outlined briefly in Par. 3 above and more in detail at TABS E, F, and G will suffice for a period not greatly in excess of one month. By that time, various methods of circumventing such measures will have been developed. It is therefore deemed imperative that the permanent system of effective controls, as outlined, be initiated with the least practicable delay.

## II. ACTION RECOMMENDED

7. That G-1 be authorized to direct the Adjutant General to implement draft at TAB H.

## III. CONCURRENCE

G-5 Division ----- \*See comments at TAB I.

J. M. BEVANS,  
Major General, GSC,  
AC of S, G-1.

HEADQUARTERS, U. S. FORCES, EUROPEAN THEATER,  
G-5 DIVISION, FINANCIAL BRANCH,  
(Main) APO 757, 28 August 1945.

GE-FIN.

Subject: Currency Exchange Control.

To: Chief of Staff.

1. The proposed program is action which the Finance Division has recommended and with which it fully concurs.

2. The discussion contained in Part I of the Staff Study contains statements which are either wrong or misleading and reflect a failure on the part of those who prepared it to understand the financial aspects

of the basic problem. These points were called to the attention of G-1 and an alternative draft eliminating the incorrect or misleading sections was submitted, but G-1 refused to accept the alternate draft or revise the discussion of the Staff Study.

3. Nevertheless in view of the importance of the time element involved and our unwillingness to delay the program, we are concurring with the recommended action.

H. BERNSTEIN,  
Colonel, GSC,  
Chief, Financial Branch.

#### HEADQUARTERS

#### U. S. FORCES, EUROPEAN THEATER

Cir. —

— August 1945.

#### CURRENCY EXCHANGE CONTROL

1. *Rescission.* Messages, this Headquarters, references S-16189, dated 7 August 1945; S-16592, dated 9 August 1945; and S-17234, dated 13 August 1945; are rescinded effective 15 September 1945.

2. *Purpose.* It is the policy of the Theater Commander to deny Army facilities for the transmission of funds derived from sources other than cash pay and allowances received in this theater, and money lawfully imported into the theater (Par. 7e, Sec. I, Cir. 364, WD, 8 Sept. 1944).

3. *Restriction on Exchange or Transmittal.* Pursuant to this policy, effective 15 September 1945, all personnel in this Theater subject to U. S. military law are prohibited from exchanging currency or transmitting funds outside this theater except through U. S. Army Finance Officers, the Army Postal Service, or by the purchase of War Bonds. Any such exchange or transmittal, where cash is used, will be governed by this circular. For the purpose of this circular, this theater will be deemed to include only the liberated or occupied countries in this theater, plus the United Kingdom and Italy. Italy will be regarded as a liberated country.

4. *Issue of Book.* Commanders of all echelons will issue to all personnel within their command, a Currency Exchange Control Book. A supply of such books will be distributed as quickly as possible by this headquarters. A sample of such book, containing sample entries, is attached as Annex A to this circular.

5. *Initial Declaration.* a. Effective 15 September 1945, all personnel in this theater subject to U. S. military law will declare their holdings in currencies (including bank deposits) in this theater, by executing the affidavit or certificate on the front of the Currency Exchange Control Book.

b. Commissioned officers, and all other personnel authorized to certify their own pay and allowance accounts, will execute the certificate; other persons will accomplish the affidavit.

c. The initial declaration, when approved as provided below, will be entered as authorized holdings in the Currency Exchange Control Book of the individual concerned, by the officer authorized to approve the declaration.

6. *Approval of Initial Declaration.* a. General officers may approve their own initial declarations.

b. Authority is delegated to commanders of all echelons down to company and similar unit level, to approve initial declarations of military and civilian personnel under their command or jurisdiction, in amounts not in excess of the *net cash* pay and allowances drawn by the individual during the *three-month* period immediately proceeding the time of declarations, less amounts transmitted outside this theater during such three-month period.

c. Initial declarations in excess of the amount above indicated will require the approval of the next higher administrative commander.

d. In the event such next higher administrative commander approves such declaration, his action will be final.

e. In the event such declaration is disapproved, the person concerned may appeal to the officer exercising general court-martial jurisdiction over him. Such officer will appoint a board of not less than three officers to review such action. The determination of such board, as approved or modified by the appointing authority, will be final.

7. In determining whether an initial declaration should be approved or disapproved, all concerned will be guided by the policy outlined in Par. 2 above. Money received from other sources, including profits from black-market operations, proceeds from the sale of property of any kind, and gambling profits are not considered as being within the terms of such policy.

8. *Custody of Books.* After the initial declaration has been approved and entered in the Currency Exchange Control Book, the book will be disposed of as follows: a. Commissioned officers, and all other personnel authorized to certify their own pay and allowance accounts, will retain their books in their personal possession.

b. In the case of all other personnel, the book will be retained by the personnel officer or certifying officer, except that it may be surrendered to the person in whose name it is issued when needed for a legitimate purpose (such as authorized travel to another country); it will be promptly taken up by the proper custodian when it has served such purpose.

9. *Subsequent Entries in Book.* a. Amounts paid to the owner of the book in Marks or Austrian currency will be entered in column 3, and amounts paid to him in currency of liberated countries or the United Kingdom will be entered in column 6, by the disbursing officer, agent officer, cashier, or other person who makes the payment, and the amount of the balance in column 5 or 8 will be increased accordingly. The person making the payment will authenticate such entries in column 9b his initials or stamps. *All entries will be expressed in dollars.*

b. Similarly, amounts of Marks or Austrian money transferred out of the theater, or exchanged for currency of liberated countries or the United Kingdom, will be entered in column 4, and amounts of currency of liberated countries or the United Kingdom transferred out of the theater will be entered in column 7 by the officer, cashier, or other person who receives the money for exchange or transmittal; and the balance in column 5 or 8 will be reduced accordingly.

c. No entries will be made in the book on exchange of:

(1) German for Austrian money, or vice versa.

(2) Currency of any liberated country or the United Kingdom for currency of any other liberated country or the United Kingdom.

d. No exchange or transfer or deposit will be made of an amount greater than the last balance shown in column 5 or column 8, whichever is applicable.

e. No entries will be made in any of the columns in the inside of the book by the owner of the book or by any other person except authorized personnel, namely the officer, cashier, or other person who pays, exchanges, or transmits the money.

10. *New Arrival in Theater.* a. All Finance Officers exchanging currency from outside this theater into the currency of a country in this theater, for personnel arriving in the theater, will furnish such personnel with a statement in substantially the following form:

"I hereby certify that I have converted ----- dollars worth of ----- (name of country) money into ----- (name of country) currency for ----- (name, rank, and serial number), who has recently arrived in the European Theater."

Such certificates will be dated and signed by the Finance Officer, giving his disbursing symbol number.

b. The individual, upon arrival at his first station in this theater, will be issued by his unit commander a Currency Exchange Control Book; such individual will make an initial declaration of the amount stated in the certificate referred to in Par. a above, and such amount will be approved as his initial declaration by the commander concerned.

11. *Departure from Theater.* a. Except as provided in Par. b below, when any individual, upon departure from the theater, makes his final exchange of currency, his Currency Exchange Control Book will be stamped "VOID" and taken up by the Finance Officer making such exchange.

b. When the owner of a book goes on leave or temporary duty (not exceeding thirty days) to a European country outside this theater, or to North Africa, any currency of a country within this theater which he exchanges will be entered as in Par. 9b above, but his book will not be stamped "VOID" nor taken up by the Finance Officer making the exchange. When such person returns to this theater, his exchange of outside currency for currency of a country in the theater will be entered as in Par. 9a above.

12. *Space Exhausted in Book.* When space has been exhausted in any individual's Currency Exchange Control Book, he will be issued a new book with an initial balance equal to the final balance on his old book, but not more than the currency he then has in his possession (including bank deposits in this theater), which will be verified and approved by the commander concerned; the old book will at the same time be taken up by such commander and marked "VOID".

13. *Loss of Book.* a. When a Currency Exchange Control Book has been lost or destroyed, the owner will execute an affidavit or certificate as follows:

"I \*(certify) (Solemnly swear) (affirm) that my Currency Exchange Control Book has been (lost) (destroyed) and that

\*See Par. 6b.

----- (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved, less amounts exchanged or transmittal from this theater since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in this theater, and money lawfully imported into the theater."

Upon execution of such affidavit or certificate a new book will be issued to such person; the initial declaration will be in the amount and type of currency stated in such affidavit or certificate, and will be approved by the administrative commander concerned.

b. Enlisted personnel and civilians requesting transmittal and/or exchange or conversion service at finance or postal facilities who claim to have lost their cards will *not* be granted transmittal service (PTA, Spearhead Deposit, Postal Money Order, Soldier's Deposit, etc), but may exchange into other currencies in a *nominal amount* sufficient to overcome a demonstrated emergency pending issuance of a new card.

c. Officers, Warrant and Flight Officers unable to present their cards by reason of loss or destruction may be granted both transmittal and exchange service in *reasonable amounts* provided the following written certificate is executed and given to the cashier or postal clerk:

"I certify that the transmittal of cash hereby requested in the amount of ----- or the exchange from ----- to ----- (type of currency) in the amount of ----- is within the limits of my allowable free balance in the currency exchange."

14. *Importation of Money.* a. When any person cashes a check, money order, or similar instrument so as to import money into this theater, the Finance Officer, cashier, or other person cashing such instrument will, on demand, furnish a certificate, dated, signed and stamped with his block stamp or OPO stamp, substantially as follows:

"I certify that I have on this day cashed a (check) (traveler's check) (money order) (bank draft) for ----- (name, rank, and organization) in the amount of \$----- or equivalent."

b. Such certificate will be acceptable as authority to send out of this theater a sum of money not in excess of the amount stated therein, without reference to the Currency Exchange Control Book.

c. Under no circumstances will money imported or exported as described in a or b above, be entered in the Currency Exchange Control Book.

15. *Violation.* Any false or unauthorized entry in the Currency Exchange Control Book, any improper exchange or transmittal of currency, or any other violation or evasion of the terms of this circular, will be dealt with by appropriate disciplinary action.

## PRINTING OF ALLIED MILITARY CURRENCY

1 SEPTEMBER 1945.

From: U S Forces, European Theater, Main Frankfurt, Germany.  
To: War Department. Information: Headquarters, Berlin District.  
Nr: S 21001.

Ref nr S 21001 AGWAR for WARCAD repeat for information to CG USGCC signed Eisenhower, cite ETGEC.

Replying to urad W-53800 to USGCC and further to reference W-44843 definite order for printing Allied Military mark currency cannot be placed by 1 September as decision for over-all requirements for currency for Germany has not been reached by Control Council.

It is also desired to further investigate the practicability of local printing and utilizing paper stocks, plates, and machinery recently uncovered at Reichsdruckerei Government Printing Office, Berlin. Additional information will be furnished after examination and inventory of above materials and determining availability of skilled technical personnel.

End

Action: CAD.

Info: ASF, OPD, Mr. McCloy, Budget Division.

## DISESTABLISHMENT OF CURRENCY SECTIONS IN LIBERATED AREAS

Combined Chiefs of Staff  
Combined Civil Affairs  
Committee OPD 311.23  
Lt Col Hilliard 73766

3 SEPTEMBER 1945.

Commanding General, U S Forces, European Theater, Main Frankfurt, Germany.

Combined Allied Liquidation Administration, Versailles, France.

Commanding General, United Kingdom Base Section, London, England.

British Joint Staff Mission, Washington, D. C.

Number: WARX 59060.

To USFET for GES repeated information CALA and UK Base Section for CCAC/DOVE, and repeated AMSSO for BCS.

This is GOV 428.

Winding up currency sections in liberated areas.

1. Opening as necessary of CA country banking accounts under CALA control for purposes paragraph 3 urad S 16060 approved.
2. Reference S 16060 paragraph 4, enemy funds.

A. Captured in liberated country of issue and

B. Captured in liberated country other than country of issue should be deposited by custodian currency section at time of dissolution in special CA account which will not be drawn upon for any purpose pending further instructions. Disposition of these funds is a matter for determination at the appropriate inter-governmental level.

3. Instructions to successor organizations SHAEF currency section German mark currency uncovered by Allied military forces in Germany contained in WARX 50318. Instructions relative to non-German currencies uncovered in Germany will follow.
4. This message has received Combined approval.

End.

S. 16060 (CM-IN 7865) 8 Aug.

Originator: CCAC.

Information: ASF, CC/S, OPD, G-2, Adm. King, Mr. McCloy, Bud Div.

#### FOREIGN EXCHANGE AND CURRENCY CONVERSION CONTROL

8 SEPTEMBER 1945.

To: The Chief of Staff.

#### I. DISCUSSION:

1. At a conference yesterday, 7 September 1945, in the Office of the Chief of Staff, attended by Lt. General W. B. Smith, Chief of Staff; Major General W. S. Paul, Deputy Chief of Staff; Major General J. M. Bevans, Assistant Chief of Staff, G-1; Colonel F. J. Brown, Assistant G-1; and Colonel Carl H. Pforzheimer, Jr., War Department representative on temporary duty with G-1, the Chief of Staff directed that the War Department be advised of the currency situation obtaining in this theater, particularly in the Berlin Area, which necessitated drastic curtailment of foreign exchange transactions in this theater, and which are currently still critical.

2. Draft of cable for accomplishing the above is at Tab A.

#### II. ACTION RECOMMENDED:

3. That the cable at Tab A be approved.

#### III. CONCURRENCE:

G-5 -----

Amended Cable Dispatched: (See S-22572, 10 Sept. 45.)

Returned to G-1 by hand of Maj. Farbes, no further action taken, 10/9-1200.

J. M. BEVANS,  
Major General, GSC,  
A C of S, G-1.

#### CONTROL OF FOREIGN EXCHANGE TRANSACTIONS

PARAPHRASE NOT REQUIRED PER EXCEPTIONS PARA 44G, AR 380-5  
PRIORITY

10 SEPTEMBER 1945.

From: CG, U. S. Forces European Theater, Main, Frankfurt, Germany.

To: War Department.

Nr: S 22572.

S 22572 from USFET Main to for action AGWAR personal for Handy from Smith and for information to WARBUDIV. Signed Eisenhower.

Subject is control of foreign exchange transactions.

Recently the situation in the Berlin area, where United States military personnel are in contact with Russians who held large amounts of AM marks in back pay, resulted in the circulation of large quantities of Russian issued AM marks in the United States area. Quantities of these marks were being presented for conversion into United States dollars and other currencies, and this necessitated drastic curtailment of foreign exchange transactions.

As a temporary stop-gap measure we limited the amount of foreign currency that could be exchanged for dollar instrumentalities and sent home to an amount equal to one month's unencumbered pay plus ten percent. The quantities of back pay in AM marks now held by Russian soldiers is believed to be diminishing, but it seems that some form of currency control will remain necessary so long as our troops are in contact with a source of cheap marks. However, our stop-gap measure seems to be unnecessarily restrictive and we intend to modify it on about October 1 as described in the next paragraph unless some general War Department instructions are received prior to that date.

General Eisenhower feels that currency control, if necessary, should be world wide and not applicable solely to this Theater as our personnel will naturally feel that they are being restricted because of currency arrangements concluded at national level and that they suffer by comparison with other Theaters.

If the War Department considers any type of limitation and/or control of foreign exchange transactions and foreign currency conversion to be necessary in view of net troop pay agreements with certain European countries and the general undesirability of United States redemption of Russian or even United Kingdom issued AM marks, this Theater is prepared to put a foreign exchange control card system into effect. Briefly, the system worked out here requires a declaration of assets, cash and in the bank, on a specified date by all personnel and a justification of excessive amounts. After this declaration, which would be recorded on a currency control card, military personnel would be given a specified time to convert current assets into dollars and send them to the United States, and thereafter would be limited in foreign exchange transactions to one month's unencumbered pay plus, say, 50 percent during any calendar month. However, it is repeated that any such directive should be on a world-wide basis to avoid the appearance of discrimination against United States military personnel in this Theater.

The alternative to a general currency control policy as outlined above seems to be to place no limitation on foreign exchange transactions or on local currency exchange to dollars in any theater. Thus any dollars needed for conversion in excess of normal pay and allowances would either be charged to Germany or Japan as normal occupational costs, or would be realized from Germany or Japan by delivery of saleable goods, or in the case of liberated countries would be recorded on Treasury books for post war intergovernmental settlement.

As this problem is a very pressing one it would assist us greatly to be informed of the War Department thought in the matter, as this will guide us in determining the extent of the temporary restrictions which we will place on foreign exchange transactions by military personnel.

End

Action: Gen Richards

Info: Gen Hull Gen Handy, C of S.

### CONVERSION OF OCCUPATION CURRENCY

Budget Division  
WDSS WDSBU 123 Currency  
(11 Sep 45)  
73289 Lt. Col. Upton

28 SEPTEMBER 1945.

Commanding General

U. S. Forces European Theater, Main,  
Frankfurt, Germany.

Number WAR 17871.

For CGUSFETMAIN from WARBUDDIV.

1. War Dept considers there is no obligation for Finance Officers to accept for remittance, savings or exchange amounts of foreign currency in excess of cash pay and allowances disbursed to military personnel and dollar instruments converted by them through official channels. Reurad S 22572 relations with liberated countries require adequate steps to control acquisition by troops of local currency in black markets. Failure of controls results in accumulation of local currency balances in hands of Finance Officers and consequent unjustified reduction dollars payable to countries where net troop pay agreements exist. Where cash purchase basis exists illegally acquired currency may result in direct loss to War Dept if country concerned refuses repurchase. Conversions or transfers illegally acquired currency of conquered countries result in direct cost to U. S. Government of equivalent dollar amount at official rate.

2. War Dept seriously disturbed over illegal acquisition local currency by troops, particularly in Germany, Holland, Belgium and France and repeated reports of professional operators and large gains by individuals. Figures for Germany and Holland interpreted to show present currency controls are inadequate. Refer your S 22810.

3. With respect to desirability exchange control, morale factor is important, but in face of widespread illicit traffic and in view fact transfers of any amounts in excess of total cash pay and allowances disbursed and dollar instruments cashed are not an obligation of the Army and can only be accomplished at the direct cost of the U. S. or of other governments concerned, adequate control measures must be taken. Such control measures must reduce to a minimum transfers of currency acquired through sale of personal property, black market currency transactions and gambling, through which channel acceptable status is sought for large amounts illicitly acquired foreign currency.

"4. War Dept approves temporary stopgap measures taken to limit amount of foreign currency exchangeable to 1 months unencumbered pay and allowances plus 10%, reference para 2 S22572 and Sec 6 GHQ No 77 ETO dated 29 August 45, and recommends continuance for personnel remaining in theater until exchange card system instituted. However in case of personnel leaving theater permanently

and prior to installation exchange card system consideration should be given to permitting exchange or transfer upon departure of larger amounts where it can be adequately proved legitimate savings are involved which could not be transferred previously.

"5. Establishment by you of exchange card control described para 4, S 22572 at earliest feasible time is approved. However limitation to one months pay plus 50% appears too high. Controls outlined below should be used as guidance:

A. Initial declaration without examination should be generally limited to one month's unencumbered pay and allowances. Larger amounts may not be declared until thoroughly scrutinized by individual examination which must take into consideration unparalleled opportunity which exists at time of initial declaration to give legal status to illicitly acquired currency. If you consider desirable maximum initial declaration without examination could be set at higher figure for certain countries where black market opportunities extremely limited, such as England. Initial declaration becomes first entry on exchange card.

B. After initial declarations have been completed a limited period of time should be allowed for transfer of amount of such initial declaration. Subsequently, in any one month individual may never exchange, transfer or deposit more foreign currency for dollars or for another foreign currency than existing balance shown on card, or one month's unencumbered pay and allowances plus dollar instruments cashed, whichever is lower. In effect this means that individuals desiring to accumulate saving in excess of one month's pay and allowances, plus dollar instruments cashed, must accumulate such savings in dollar instruments such as soldiers' deposits, war bonds, postal money orders and personal transfers on a monthly basis. The above limitations apply to exchanges from one currency to another within the theater as well as to exchanges from theater currency into dollars or dollar instruments.

C. Debit entries on card of funds legally received should consist of original declaration, cash pay and allowances drawn, dollar instruments cashed and foreign currency received in authorized exchange for another foreign currency. Credit entries consist of bond purchases, PTA transfers, soldiers' deposits, postal money orders purchased and local currency legally exchanged for another currency or for military payment orders.

D. Individual leaving theater on PCS will turn in card at time of final exchange when dollars or dollar instruments will be given the individual for balance shown on card, or one month's unencumbered pay and allowances plus any legally acquired dollar instruments, whichever is less. Card should then be stamped "Final Payment" and returned to personnel officer for attachment to and forwarding with enlisted man's service record or officer's qualification card (WDAGO 66-1) where it will be available for future references. In effect this means that if the individual leaves the theater under circumstances such that he is unable to make the final exchange before departure he will automatically retain exchange card and have it available on arrival U. S. or other theater. Finance Officers in U. S. or other theater will therefore not make exchange of any ETO currency without sub-

mission of card, at which time card will be taken up for retention as above.

E. Individual leaving theater on TD or DS will carry card with him and will be required to submit card to Finance Officer outside theater if he desires exchange of theater currency. At time of return to theater exchange of nontheater currency for theater currency will be entered on card.

F. Individual newly arriving in theater will be issued exchange card upon reporting to first station within theater. Initial entry will consist amount of currency in possession upon arrival at that station which will be subject to examination in case individual possesses foreign currency in excessive amounts. Foregoing procedure will apply to personnel assigned either on permanent or temporary duty.

G. Desirability of comparable regulations governing exchange by civilian personnel now being discussed with State and Treasury and recommendations will follow shortly.

6. Reference above, War Dept policy is that exercise of strict control measures in exchange of foreign currency is essential in all theater. Copies your cable S22572 and our reply thereto are being transmitted all theaters for information and guidance. More specific instructions to other theaters relative to comparable procedures to be established will be given upon receipt and examination of final procedures established by you. Forward by airmail to OFDASF Washington DC copies in quadruplicate of regulations and exchange card issued in accordance foregoing. Request your recommendation as to date after which Disbursing Officers in US and in other theaters should not exchange ETO currencies without submission exchange card.

7. This problem has been coordinated with Treasury Dept. Latter indicates it is seriously perturbed over inadequacy of controls particularly for marks and anticipates that drastic additional limitation for Germany may be proposed by it in near future.

End

Originator: Budget Division.

Information: ASF-Fisc; CG AAF (ATC); OPD; G-1; CAD; Mr. McCloy.

M&SA/L&F/WRZ/slz

#### CURRENCY EXCHANGE AND TRANSMISSION CONTROL

22 SEPTEMBER 1945.

TO: The Chief of Staff, U. S. Forces, European Theater.

#### I. DISCUSSION

1. Reference is made to cable S-22572 to AGWAR (copy of which is at TAB A), wherein this Headquarters advised the War Department of the currency situation obtaining in this Theater; the temporary stop-gap measures instituted to effect its control; the fact that we consider such stop-gap measures to be unnecessarily restrictive; and that we intend to modify them as outlined therein on or about 1 October 1945, unless instructions are received prior to that date.

2. Reference is also made to decision reached in the Office of the Chief of Staff, 19 September 1945, by Lt. General W. B. SMITH, Chief of Staff; Major General J. M. BEVANS, Assistant Chief of Staff, G-1; and Brigadier General Ed C. BETTS, Theater Judge Advocate, that in any event there would be a relaxation of monetary restrictions during the month of October 1945.

#### II. ACTION RECOMMENDED.

3. To implement the above decision, it is recommended that:

*a.* The cable at TAB B be approved for dispatch if no reply is received from the War Department prior to 1 October 1945, *or* if reply is received from the War Department that directs some form of monetary control in the Theater.

*b.* The cable at TAB C be approved for dispatch if reply is received from the War Department advising that no monetary control is necessary in the Theater.

J. M. BEVANS,  
Major General, GSC  
AC of S, G 1.

Approved 28/9/45.

(s) W. B. SMITH

See SC-4088, 28 Sept. 1945.

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EXTRACT FROM CONGRESSIONAL RECORD, 26 SEPTEMBER 1945 (REFERENCE APPENDIX A4372, No. 168, WEDNESDAY, SEPTEMBER 26, 1945.)

#### EXTENSION OF REMARKS OF HON. B. W. (PAT) KEARNEY HOUSE OF REPRESENTATIVES

Mr. Speaker, under leave to extend my remarks, I wish to include in the RECORD the following open letter received by me today from a group of soldiers stationed overseas, which speaks for itself:

CAMP TWENTY GRAND,  
LE HAVRE, FRANCE,  
September 16, 1945.

This is not an appeal—this is a statement of fact.

Personnel of the Second Armored Division, stationed in Berlin, were paid for the month of July 1945 in Russian Allied military marks. Also, at this time these men holding French francs, Dutch guilders, or Belgian francs had their currency exchanged into these Russian marks.

During this same month (July), money orders were limited to the amount drawn across the pay table plus 10 percent. However, during the following month, even after this pseudo limitation, commissioned officers signed for money orders from one hundred to one thousand dollars. Those men closely connected to orderly rooms, headquarters sections, etc. were able to send home hundreds of dollars worth of money orders, all purchased with these Russian marks. These men less fortunate were usually told that the quota had already been filled. In the meantime the accumulated savings piled up. Men were forced to carry huge sums of cash in their pockets. There was nothing to buy in Berlin. Gambling was inevitable. To add to the confusion, the sale of watches was declared legal in the Stars and Stripes.

At Camp Atlanta, on the way home, all of the Russian Allied military marks were accepted, but only 2 months pay plus 10 percent was exchanged into French francs. The balance was held for safe-keeping in the orderly rooms of the various companies.

At Camp Twenty Grand, near Le Havre, all of the marks left over were returned to the men. Next came an order limiting the amount to be turned into American dollars to 2 months' base pay plus 10 percent plus 20 percent for overseas service. Of course, many soldiers had more than that amount in French francs and German marks. In order to get this overage converted into dollars, many soldiers paid heavily (sometimes as much as 30 percent) to have other soldiers turn in some of the money for them. The whole business was very complicated and cost the soldiers hundreds of unnecessary dollars because, in the long run, most of the money was turned in anyway. Those men still retaining Russian marks, American marks, French francs, were advised that this currency might be converted into dollars in the United States of America.

Many disgusted soldiers burned their extra marks. It was all too stupid and too fantastic. Their own Government was letting them down after they had served overseas, in combat, for 3 years. Their own Government would not honor money printed for the use of invasion troops nor would this fine democracy honor the currency of her Allies—France, Russia, Holland, or Belgium.

#### TOP PRIORITY

#### TRANSMISSION OF OCCUPATION CURRENCY

To: U S Forces Austria; U S Air Forces in Europe; U S Group Control Council, Germany; Theater Service Forces Rear and Main; Eastern Military District; Western Military District; 15th U S Army; XVI Corps; Berlin District; European Division Air Transport Command; Ground Force Reinforcement Command; Task Force "A"; Hq Comd U S Forces, European Theater; USFET Mission to France, Netherlands, Belgium and Luxembourg, and Norway; Commander Naval Forces for Germany; Commanding Officer, Military Intelligence Service.

From: U S Forces European Theater Main Signed Eisenhower  
Ref No.: SC-4088 Cite ETGAP Too: 281500A

#### BOOK MESSAGE

1. Messages, this hqs. references S-16189, dated 7 Aug 1945; S-16592, dated 9 Aug 1945; and S-17234, dated 13 Aug 1945; are rescinded effective 28 Sept 1945 and the following substituted therefor.

2. Until further notice, the transmission, by all personnel in this theater subject to U S military law who enjoy the privileges of either the Army or Navy finance or postal facilities or who purchase War Bonds for cash from either Army or Navy agencies, of funds to any point outside the theater or conversion of funds which have not been derived from U S official sources, is prohibited. The utilizing for such transmission or conversion means other than those afforded by U S

Army or Navy finance officers, Army or Navy war bond officers, or through the Army or Navy postal service is also prohibited.

3. The provisions of para 2 above will be implemented as follows:

A. All field grade officers and all civilians who hold assimilated rank of field grade and above, will, prior to every transmission of funds to the U. S. via Army or Navy F. O. war bond officers or through Army or Navy postal services, execute and submit to the agency concerned the following certificate; "I certify that these funds sought to be transmitted via (personal transfer account) (money order) (war bond) (et cetera) were derived only from U. S. official sources." Such certificate will be legibly signed and the grade, serial number or comparable civilian designation furnished, together with complete address and APO number.

B. All military personnel (excluding officers of field grade and above) and all civilians who have no assimilated rank and those who have assimilated rank up to and including company grade desiring to deposit money in soldiers' deposits or to transmit funds by PTA, postal money order or by purchase of war bonds; will submit applications in suitable form to the appropriate commander, who is charged with assuring himself that the funds sought to be transmitted by the applicants concerned were derived only from U. S. official sources. Such commander is thereafter charged with causing approved applications to be transmitted to the agency responsible for final processing thereof, together with appropriate evidence of such approval.

C. Conversion (exchange) of currencies will be accomplished by only Army or Navy finance officers and under procedures established by the theater fiscal director.

D. Finance, postal and war bond officers are prohibited from accepting any applications for transmission which include instruments payable to the applicant, or conversion unless compliance with the pertinent foregoing provisions has been had.

4. U. S. official sources, as used herein, are defined as including only monies derived, directly or indirectly, from pay and allowances or monies imported from the ZI.

5. Effective on or about 1 Nov. 1945, a new system of currency control of exchange and transmission of private funds will be established. All personnel are urged to convert accumulated pay and allowances and other money derived from U. S. official sources in excess of current needs, into PTA, savings deposits or war bonds during the month of Oct. It is recommended that all such excess private funds be converted into U. S. dollar instrumentalities by the methods cited rather than held in foreign currencies or deposited or invested in foreign banks or institutions.

6. It is desired that the foregoing be brought to the attention of all concerned including all civilians and civilian organizations under the jurisdiction of the Army and Navy.

S-16189 is SMC OUT 1457, 7/8/45, G-1.

S-16592 is SMC OUT 2037, 9/8/45, G-1.

S-17234 is SMC OUT 2860, 13/8/45, G-1.

Authentication: F. J. Brown, Colonel.

Originator: G-1.

Information: SGS and all Special and Staff Divisions, AG Records.

HEADQUARTERS, U. S. FORCES.  
EUROPEAN THEATER.  
(Main) APO 757, 29 September 1945.

## CURRENCY EXCHANGE CONTROL

## AG 121 GAP-AGO

To: Commanding Generals:

U. S. Forces, Austria.  
U. S. Air Forces in Europe.  
U. S. Group Control Council, Germany.  
Theater Service Forces, European Theater (Rear).  
Each Military District,  
Fifteenth U. S. Army,  
XVI Corps,  
Berlin District,  
European Division, Air Transport Command,  
Ground Force Reinforcement Command,  
Headquarters Command, U. S. Forces, European Theater.

Heads of Missions.

Commanding Officers:

Military Intelligence Service,  
Task Force "A".

1. Messages, this headquarters, references S-16189, dated 7 August 1945; S-16592, dated 9 August 1945; and S-17234, dated 13 August 1945; are rescinded effective 28 September 1945 and the following substituted therefor.

2. Until further notice, the transmission of funds which have not been derived from U. S. official sources to any point outside the theater or conversion of funds which have not been derived from U. S. official sources, by all personnel in this theater subject to U. S. military law who enjoy the privileges of either the Army or Navy finance or postal facilities or who purchase War Bonds for cash from either Army or Navy agencies, is prohibited. The utilizing for such transmission or conversion means other than those afforded by U. S. Army or Navy finance officers, Army or Navy war bond officers, or through the Army or Navy postal service is also prohibited.

3. The provisions of paragraph 2, above, will be implemented as follows:

a. All field grade officers and all civilians who hold assimilated rank of field grade and above, will, prior to every transmission of funds to the U. S. via Army or Navy finance officers, Army or Navy war bond officers or through Army or Navy postal services, execute and submit to the agency concerned the following certificate:

"I certify that these funds sought to be transmitted via (Personal Transfer Account) (Money Order) (War Bond) (et cetera) were derived only from United States official sources."

Such certificate will be legibly signed and the grade, serial number or comparable civilian designation furnished, together with complete address and APO number.

b. All military personnel (excluding officers of field grade and above) and all civilians who have no assimilated rank and those who have assimilated rank up to and including company grade desiring to

deposit money in Soldiers Deposits or to transmit funds by personal transfer account, postal money order, or by purchase of war bonds, will submit applications in suitable form to the appropriate commander, who is charged with assuring himself that the funds sought to be transmitted by the applicants concerned were derived only from U. S. official sources. Such commander is thereafter charged with causing approved applications to be transmitted to the agency responsible for final processing thereof, together with appropriate evidence of such approval.

c. Conversion (exchange) of currencies will be accomplished only by Army or Navy finance officers and under procedures established by the Theater Fiscal Director.

d. Finance, postal and War bond officers are prohibited from accepting any applications for transmission (which include instruments payable to the applicant) or conversion unless compliance with the pertinent foregoing provisions has been had.

4. U. S. official sources, as used herein, are defined as including only moneys derived, directly or indirectly, from pay and allowances or moneys imported from the zone of interior.

5. Effective on or about 1 November 1945, a new system of currency control of exchange and transmission of private funds will be established. All personnel are urged to convert accumulated pay and allowances and other money derived from U. S. official sources in excess of current needs, into personal transfer accounts, savings deposits or war bonds during the month of October 1945. It is recommended that all such excess private funds be converted into U. S. dollar instrumentalities by the methods cited rather than held in foreign currencies or deposited or invested in foreign banks or institutions.

6. It is desired that the foregoing be brought to the attention of all concerned including all civilians and civilian organizations under the jurisdiction of the Army and Navy.

By Command of General Eisenhower:

(s) R. B. Lovett,

(t) R. B. LOVETT

*Brigadier General, USA*

*Adjutant General.*

#### ISSUANCE OF 1,000-MARK NOTES

##### OPERATIONAL PRIORITY

To: CG U. S. Forces Austria; CG U. S. Air Forces in Europe; CG U. S. Group Control Council, Germany; CG Theater Service Forces Main; CG Theater Service Forces Rear; CG Eastern Military District; CG Western Military District; CG Fifteenth U. S. Army; CG XVI Corps; CG Berlin District; CG European Division Air Transport Command; CG Ground Force Reinforcement Command; CG Headquarters Command U. S. Forces European Theater; CG U. S. Forces European Theater Mission to France; CG U. S. Forces European Theater Mission to Netherlands; CG U. S. Forces European Theater Mission to Belgium and Luxembourg; CG U. S. Forces European Theater Mission to Norway; Commander, Naval Forces for Germany; Commanding Officer, Military Intelligence Service.

From: Theater Service Forces Main. Signed Larkin.

Ref. No.: S-26043. Cite: SOFDD. T00: 011600A.

## BOOK MESSAGE

No Allied Military Mark Notes in denominations of 1,000 or higher have been disseminated through Official United States Channels; consequently they will not be accepted by any Army Agency. Inform all concerned.

SMC OUT 196.

Originator: Theater Service Forces Main (Fiscal Director).

Action: HQ Comd.

Authentication: W. O. Green, Maj. F. D.

Information: SGS; G-1; G-2; G-3; G-4; MG (U. S. Zone); Summary AG Records.

## CURRENCY CONTROL MEASURES

Budget Div WDGS WDSBU 123

Currency (11 Sep 45) 73289

Lt Col Upton

2 OCTOBER 1945.

Commander in Chief, Army Forces Pacific Command, Manila, Philippines.

Commanding General, U. S. Forces China Theater Chungking, China.

Commanding General, USAF Africa-Middle East Theater, Cairo, Egypt.

Commanding General, USAF Mediterranean Theater, Caserta, Italy.

Commanding General, U. S. Forces India Burma Theater, New Delhi, India.

Commanding General, Persia Gulf Command, Kharramshaber, Iran.

Commanding General, U. S. Forces European Theater, Main, Frankfurt, Germany.

Number: WARX 72633

Book Message for CGUSAFPACCOM, CGUSAFCT, CGUSAFAFET, CGUSAFMED, CGUSAFIB, CGPERSIANGULFCOM and CGUSFETMAIN from WARBUDDIV.

The following messages are quoted for your information. Further details of exchange cards and control measures adopted in European Theater will be forwarded to you when available. S 22810 referred to in para 2 of WAR 71871 not required. Messages quoted are S 22572 of 10 Sept from CGUSFETMAIN to War Dept and WAR 71871 of 28 Sept to CGUSFETMAIN. End.

Originator: Bud Div.

Information: ASF-Fisc; CG AAF (ATC); OPD; G-1; CAD; Mr. McCloy.

## CURRENCY EXCHANGE CONTROL

M&SA/L&FIS/WRJ/sf

4 OCTOBER 1945.

To: Chief of Staff

## I. DISCUSSION.

1. Reference is made to Staff Study at TAB X, subject as above, submitted by G-1 on 29 August 1945, recommending the establishment of a currency exchange control system; and the alternative action that

was taken on 10 September 1945 by cable at TAB Y and on 28 September 1945 by TWX message at TAB Z. The War Department response to cable at TAB Y is at TAB AA.

2. *a.* The War Department approved the temporary stop-gap measure as contained in our messages S-16189 and S-16592. (These were rescinded by our SC-4088 [copy at TAB Z] which, however, was not furnished the War Department.) The War Department states that present controls are not considered adequate. While conceding the importance of the morale factor involved, it holds that, in view of the fact that transfer of any amounts in excess of total cash pay and allowances disbursed and dollar instruments cashed are not an obligation of the Army and can only be accomplished at the direct cost of the United States or of other governments concerned, adequate control measures must be taken. The War Department therefore approves the adoption of the currency exchange book system in this theater at the "earliest feasible time" and proposes instituting similar controls in all other theaters and causing observance thereof to be effected in the Zone of Interior.

*b.* The suggested control measures of the War Department set forth in cable at TAB AA correspond in all essential points with our proposed plan (TAB H) except the suggestion contained in paragraph 5b of their cable to limit the total amount of funds which may be exchanged, transferred or deposited for dollars or for another foreign currency to an amount equal to the existing balance shown on the book, or one month's unencumbered pay and allowances plus dollar instruments cashed, whichever is *lower*. This suggested feature is considered impracticable, unnecessary and unjust to the individual and has not been incorporated in our proposed plan.

*c.* It will be noted by referring to Paragraph 2 of TWX message at TAB Z, that current stop-gap restrictions include the utilization by personnel subject to U. S. military law of means other than those afforded by U. S. Army or Navy facilities for the transmission or conversion of funds by such personnel and that such provision is not included in the proposed directive at TAB H. It is contemplated basing any subsequent policy in regard thereto on the decision reached between War, State, and Treasury Departments with reference to "comparable regulations governing exchange by civilian personnel" as noted in Paragraph 5g of their message at TAB AA. (The civilian personnel just referred to, concerns those civilians not subject to U. S. military law.)

## II. ACTION RECOMMENDED.

3. That G-1 be authorized to direct the Adjutant General to implement the draft at TAB H.

J. M. BEVANS,  
*Major General, GSC,*  
*AC of S, G-1.*

Approved 8/10/45.

(s) W./B. SMITH, C/S.

SD b Geise

Ret'd to G-1

1400 8/10/45

## LIQUIDATION OF DOLLAR ADVANCES TO CIVILIAN OVERSEAS PERSONNEL

6 OCTOBER 1945.

From: CG, U. S. Forces, European Theater, Main, Frankfurt, Germany.

To: War Department.

Nr: S 26837.

S 26837 to Adj. Gen. War Dept. from USFET Main, sgd. Eisenhower cite ETGEC.

Many employees of civilian agencies operating in this theater received dollar advances from their agencies before leaving the U. S. and certain of these employees have since arriving in this theater attempted to liquidate their advances by payment in reichmarks here. In view of possibility that this method of liquidating advances would constitute a channel for remitting to U. S. reichmarks acquired from other than official U. S. sources, it is suggested that all civilian agencies employing personnel serving in Germany be requested to direct their fiscal or disbursing officers not to accept repayment of advances in reichmarks but to limit repayments to currency received from official U. S. sources.

End.

Action: ASF.

Info.: OPD, CAD, Bud. Div.

## CURRENCY EXCHANGE CONTROL

HEADQUARTERS.

U. S. FORCES, EUROPEAN THEATER.

10 Oct. 1945.

Cir. 139.

1. *Rescission.* Message, this headquarters, reference SC-4088, dated 28 September 1945, and letter, this headquarters, file AG 121 GAP-AGO, subject: "Currency Exchange Control," dated 29 September 1945, are rescinded, effective 10 Nov. 1945.

2. *Purpose.* It is the policy of the Theater Commander to deny army facilities<sup>1</sup> for the exchange or transmission of funds derived from sources other than cash pay and allowances received in this theater, and money lawfully imported into the theater [by individuals while on duty in the theater and subject to U. S. military law] (Par. 7e, Sec. I, Cir. 364, WD, 8 Sept. 1944, and Cable, WD, references number W-71871, 1 Oct. 1945<sup>2</sup>).

3. *Issue of Book.* Commanders of all echelons will issue, to all personnel within their command, a Currency Exchange Control Book. A supply of such books will be distributed by this headquarters. A sample of such book, containing sample entries, is attached as Annex A to this circular.

4. *Initial Declaration.* a. Effective 10 Nov. 1945, all personnel in this theater subject to U. S. military law will declare their holdings in currencies (including bank deposits) in this theater, by executing the affidavit or certificate on the front of the Currency Exchange Control Book.

<sup>1</sup> As used herein, this term will be interpreted as including comparable naval facilities.

<sup>2</sup> Not distributed to theater commands.

b. Commissioned officers, and all other personnel authorized to certify their own pay and allowance accounts, will execute the certificate; other persons will accomplish the affidavit.

c. The initial declaration, *when approved* as provided below, will be entered as authorized holdings in the Currency Exchange Control Book of the individual concerned, by the officer authorized to approve the declaration.

5. *Approval of Initial Declaration.* a. General officers may approve their own initial declarations.

b. Authority is delegated to commanders of all echelons down to company and similar unit level, to examine and approve initial declarations of military and civilian personnel under their command or jurisdiction, in amounts not in excess of the *net cash* pay and allowances drawn by the individual during the *three-month* period immediately preceding the time of the declaration, less amounts transmitted outside this theater during such three-month period.

c. Initial declarations in excess of the amount above indicated will require the approval of the next higher administrative commander.

d. In the event such next higher administrative commander approves such declaration, his action will be final.

e. In the event such declaration is disapproved, the person concerned may appeal to the officer exercising general court-martial jurisdiction over him. Such officer will appoint a board of not less than three officers to review such action. The determination of such board, as approved or modified by the appointing authority, will be final.

6. In determining whether an initial declaration should be approved or disapproved, all concerned will be guided by the policy outlined in Par 2, above. Money received from other sources, including profits from black-market operations, proceeds from the sale of property of any kind, and gambling profits are not considered as being within the terms of such policy.

7. *Custody of Books.* After the initial declaration has been approved and entered in the Currency Exchange Control Book, the book will be disposed of as follows: a. Commissioned officers, and all other personnel authorized to certify their own pay and allowances accounts, will retain their books in their personal possession.

b. In the case of all other personnel, the book will be retained by the personnel officer or certifying officer, except that it may be surrendered to the person in whose name it is issued when needed for a legitimate purpose (such as authorized travel to another country); it will be promptly taken up by the proper custodian when it has served such purpose.

8. *Subsequent Entries in Book.* a. Amounts paid to the owner of the book in marks or Austrian currency will be entered in column 3, and amounts paid to him in currency of other European countries will be entered in column 6, by the disbursing officer, agent officer, cashier, or other person who makes the payment, and the amount of the balance in column 5 or 8 will be increased accordingly. The person making the payment will authenticate such entries in column 9 by his initials or stamp. *All entries will be expressed in dollars.*

b. Similarly, amounts of marks or Austrian currency transferred out of the theater, or exchanged for money of other European countries, will be entered in column 4, and amounts of currency of other

European countries transferred out of the theater will be entered in column 7 by the officer, cashier, or other person who receives the money for exchange or transmittal; the balance in column 5 or 8 will be reduced accordingly.

c. No entries will be made in the book on exchange of:

(1) German or Austrian money, or vice versa.

(2) Currency of other European countries not involving German or Austrian money.

d. No exchange or transfer or deposit will be made of an amount greater than the last balance shown in column 5 or column 8, whichever is applicable.

e. No entries will be made in any of the columns in the inside of the book by the owner of the book or by any other person except authorized personnel, namely the officer, cashier, or by other person who pays, exchanges, or transmits the money.

9. *New Arrival in Theater.* a. All finance officers exchanging currency from outside this theater into the currency of a country in this theater, for personnel arriving in the theater, will furnish such personnel with a statement in substantially the following form:

"I hereby certify that I have converted ----- dollars worth of ----- (name of country) money into ----- (Name of country) currency for ----- (name, rank, and serial number), who has recently arrived in the European Theater."

Such certificates will be dated and signed by the finance officer, giving his disbursing symbol number.

b. The individual, upon arrival at his first station in this theater, will be issued by his unit commander a Currency Exchange Control Book; such individual will make an initial declaration of the amount stated in the certificate referred to in a above, and such amount, unless excessive, will be approved as his initial declaration by the commander concerned. Where deemed advisable, the appropriate provisions of Par 5 above will be employed.

10. *Departure from Theater.* a. When an individual, upon departure from the theater on permanent change of station, makes his final exchange of currency, his Currency Exchange Control Book will be stamped "FINAL PAYMENT" and returned to the personnel officer for attachment to and forwarding with the enlisted person's service record in the case of enlisted personnel, or to the individual, in the case of officers and civilians, for future reference. Each officer will attach or cause to be attached, his returned book to his officers' qualification card (WD AGO Form 66-1).

b. When an individual departs from the theater on leave, temporary duty, or detached service, any currency of a country within this theater which he exchanges will be entered as in Par 8b above, and when such person returns to this theater, his exchange of outside currency for currency of a country in the theater will be entered as in Par 8a above. If the individual desires exchange of theater currency outside the theater, he is required to submit his book to the finance officer concerned.

11. *Space Exhausted in Book.* When space has been exhausted in any individual's Currency Exchange Control Book, he will be issued

a new book with an initial balance equal to the final balance on his old book, but not more than the currency he then has in his possession (including bank deposits in this theater), which will be verified and approved by the commander concerned; the old book will at the same time be taken up by such commander and marked "VOID."

12. *Loss of Book.* a. When a Currency Exchange Control Book has been lost or destroyed, the owner will execute an affidavit or certificate as follows:

"I <sup>3</sup> (certify) (solemnly swear) (affirm) that my Currency Exchange Control Book has been (lost) (destroyed) and that ----- (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved, less amounts exchanged or transmitted from this theater since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in this theater, and money lawfully imported into the theater."

Upon execution of such affidavit or certificate a new book will be issued to such person; the initial declaration will be in the amount and type of currency stated in such affidavit or certificate, and will be approved by the administrative commander concerned.

b. Enlisted personnel and civilians requesting transmittal and/or exchange or conversion service at finance or postal facilities who claim to have lost their books will *not* be granted transmittal service (PTA, Spearhead Deposit, Postal Money Order, Soldier's Deposit, etc.) but may exchange into other currencies in a *nominal amount* sufficient to overcome a demonstrated emergency pending issuance of a new card.

c. Commissioned officers, warrant and flight officers, unable to present their cards by reason of loss or destruction may be granted both transmittal and exchange service in *reasonable amounts* provided the following written certificate is executed and given to the cashier or postal clerk:

"I certify that the transmittal of cash hereby requested in the amount of ----- or the exchange from ----- to ----- (type of currency) in the amount of ----- is within the limits of my allowable free balance in the currency exchanged."

13. *Importation of Money.* a. When any person cashes a check, money order, or similar instrument so as to import money into this theater, the Finance Officer, cashier, or other person cashing such instrument will furnish a certificate, dated, signed, and stamped with his block stamp or APO stamp, substantially as follows:

"I certify that I have on this date cashed a (check) (traveler's check) (money order) (bank draft) for ----- (name, rank, and organization) in the amount of \$----- or equivalent."

b. Such certificate together with the Currency Exchange Control Book will then be presented to the Commanding Officer concerned for entry in the book of the amount stated in such certificate. *The certificate will thereafter be retained with that Currency Exchange Control Book until the latter is used up and replaced as provided in Par. 11 above.*

\* See Par. 4b.

*a.* Any entry of imported funds in the Currency Exchange Control Book not supported by the physical presence of the certificate referred to in *a* above, will be investigated to determine the possibility of a false or unauthorized entry.

14. *Currency Exchanges in General.* In addition to those provisions above which deal with the exchange of one European currency for another, such currency exchanges will not be made without presentation by the applicant therefor of proper travel orders and/or compliance with such other regulations as may be promulgated by the Theater Fiscal Director.

15. *Violation.* Any false or unauthorized entry in the Currency Exchange Control Book, any improper exchange or transmittal of currency, or any other violation or evasion of the terms of this circular will be dealt with by appropriate disciplinary action.

By COMMAND OF GENERAL EISENHOWER:

Official:

W. B. SMITH,  
*Lieutenant General, USA, Chief of Staff.*

R. B. Lovett,  
R. B. LOVETT,  
*Brigadier General, USA, Adjutant General.*

Distribution: F

#### ANNEX A

#### Notice

Any false or unauthorized entry in this book, any improper exchange or transmittal of currency, or any other violation or evasion of the terms hereof, will be dealt with by appropriate disciplinary action.

#### IMPORTANT

Read instructions on back cover *before* making any entries in this book.

For all transactions			All amounts will be expressed in dollars						9
			For transactions in marks or Austrian money			For transactions in other European currencies			
No.	1 Date	2 Description	3 Amount received	4 Amount transmitted or exchanged	5 Balance available	6 Amount received	7 Amount transmitted or exchanged	8 Balance available	Authentication
	10 Nov 45	{ Approved Initial Declaration Balance }							
1.....	30 Nov 45								
2.....	5 Dec 45								
3.....	10 Dec 45	Ex		\$20.00	\$20.00	\$20.00		\$120.00	18th Disb. Off. WJL.
4.....	31 Dec 45	Pay			20.00	70.00		190.00	JMC.
5.....	5 Jan 46	Kx	\$80.00		100.00		\$80.00	110.00	18th Disb. Off. WJL.
6.....	10 Jan 46	IMP	50.00		150.00			110.00	RJB.
7.....	15 Jan 46	WB		10.00	140.00			110.00	18th Disb. Off. WJL.

\*Strike out word not applicable.

## INSTRUCTIONS

All Amounts Will be Expressed in Dollars

Col. 1—Enter date of transaction.

Col. 2—Enter brief description of transaction: PTA; SD (soldier's deposit); EX (exchange—conversion); MO (money order); WB (war bond); IMP (importation); etc.

Col. 3—Enter dollar equivalent of net pay and allowances or importations received in German or Austrian currency and/or dollar equivalent of other European currency converted into German or Austrian currency.

Col. 4—Enter dollar equivalent of funds in Germany or Austria currency, transmitted outside the theater or exchanged for other European currency.

Col. 5—Enter sum of preceding balance plus column 3 and minus column 4.

Col. 6—Enter dollar equivalent of net pay and allowances or importations received in other than German or Austrian currency and/or dollar equivalent of other European currency converted from German or Austrian currency.

Col. 7—Enter dollar equivalent of funds in other than German or Austrian currency, transmitted outside the theater or exchanged for German or Austrian currency.

Col. 8—Enter sum of preceding balance plus column 6 and minus column 7.

Col. 9—Initials or stamp of finance officer, agent officer, cashier, or other authorized person making entry.

NOTE: The last entry in column 5 or 8 represents the maximum amount which may be transmitted or exchanged from the currency concerned.

Detailed instruction concerning this currency exchange control book are contained in circular No. 139, HQ, USFET, dated 10 October 1945. Note particularly par. 13b thereof.

## Currency Exchange Control Book

Name: Doe, John J., 6550292, Sgt., Co. D, 7th Inf., 3d Div.

(All amounts will be expressed in dollars)

Net cash pay drawn by me in the past three months..... \$170.  
 Less amounts transmitted outside this Theater.....

Balance..... \$170.  
 Cash and bank deposits in my possession in this Theater..... 12.

I ~~(certify)~~ (solemnly swear) (affirm) that the amounts stated above are true and correct as of 10 Nov. 1945 and that the amount of cash and bank deposits stated above were derived only from net cash pay and allowances drawn by me plus funds lawfully brought into this Theater by me.

(S) John J. Doe.  
 (Signature)

Subscribed and sworn to before me this 10 day of Nov. 1945.

(s) J. W. Smith,  
 (t) J. W. Smith,  
 Capt., 7th Infantry,  
 Summary Court.

The foregoing initial ~~(balance)~~ \*declaration of 100 dollars.

(s) R. J. Black,  
 (t) R. J. Black,  
 Capt., 7th Infantry,  
 Comdg. Co. D, 7th Inf.

11 NOVEMBER 1945.

Date: .....

I certify that I have on this date cashed a (check) (traveler's check) (money order) (bank draft) for .....

Name Rank ASN Organization  
 In the amount of ..... dollars and ..... cents or  
 equivalent.

NOTE: Any erasure or alteration will invalidate this instrument.

\*Strike out words not applicable.

**Notice**

Any false or unauthorized entry in this book, any improper exchange or transmittal of currency, or any other violation or evasion of the terms hereof, will be dealt with by appropriate disciplinary action.

**IMPORTANT**

Read instructions on back cover *before* making any entries in this book.

For all transactions			All amounts will be expressed in dollars						Authentication
			For transactions in marks or Austrian money			For transactions in other European currencies			
No.	1 Date	2 Description	3 Amount received	4 Amount transmitted or exchanged	5 Balance available	6 Amount received	7 Amount transmitted or exchanged	8 Balance available	
		Approved Initial *declaration *balance		or conv. into dol inst.			or conv. into dol inst.		
1.....									
2.....									
3.....									
4.....									
5.....									
6.....									
7.....									

\*Strike out word not applicable.

**CURRENCY CONTROL**

**HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
3 Jun 1946.**

**CIRCULAR NUMBER 82**

1. *Rescissions.* Cir 139, this headquarters, 10 Oct 1945, Cir 50, this headquarters, 15 Apr 1946, Par. 5c, Cir 57 this headquarters, 27 Apr 1946 and all TWX messages in conflict herewith, are rescinded effective 20 Jun 1946, and after that date the currency exchange control book authorized by Cir 139 will no longer be used.

2. *Policy.* Funds presented to theater facilities for purchases, exchange, or transmission will be limited to those derived from cash

pay or allowances, or money lawfully imported into the theater by persons authorized to use such facilities.

3. *Original Issue.* a. Commanders of all echelons will issue to all personnel within their command, or under their jurisdiction, who are paid from US Army or Navy appropriated funds, a Currency Control Record. Records will be serially numbered and issued through command channels. Each headquarters will maintain a record to account for all issued and unissued Records.

b. Effective 20 Jun 1946, personnel officers, or such officials as may be designated by commanders to act as such for the purpose of this circular, of all persons in the theater paid from US Army or Navy appropriated funds, will make an initial entry in the Record of each such individual. This initial entry will be the sum of money expressed in *whole dollars* which each such person has in his possession, including European bank deposits, derived only from pay and allowances and money lawfully imported into the theater. This entry will be made only on presentation of the currency exchange control book authorized by Cir 139, and in no case will the initial entry exceed the balance available as indicated therein. For new arrivals see Par. 7.

c. *Personnel Not Paid from US Army or Navy Appropriated Funds.* For personnel in this category, see Par 13.

4. *Custody of Record.* a. After the initial entry has been made in the Currency Control Record, the Record will be issued to the individual concerned and will be retained in his possession. A record of the serial number of the Currency Control Record thus issued (as well as subsequent replacements), the date of issue and the amount of the initial entry will be made by the personnel officer and attached to the individual's Service Record, WD AGO Form 66-1 or other appropriate permanent personnel file. This record will be consulted prior to replacement of the Currency Control Record under the provisions of Par 9.

b. When replacements are made under the provisions of Par 6 or 9 of this circular, the data pertaining to the previous record of issue will be cancelled by drawing a single line through it, followed by the words "used up" or "lost", whichever is applicable, and the personnel officer's authentication. (See Par 6, 7, 9 and 11.)

5. *Subsequent Entries in the Record.* a. *All entries will be expressed in dollars* to the nearest whole dollar and blank spaces will be zeroed. \$0.50 or more will be entered as a dollar. Example: 0 5 0 to express a debit or credit entry of \$49.50 or \$49.75.

b. *Amounts received* by the owner of the Record *as pay and allowances* in marks or Austrian currency will be entered in column 3, and amounts so paid to him in the currency of other countries within the theater will be entered in column 6. The amount of the balance in column 5 or 8 will be increased accordingly. All such entries will be made by the disbursing officer, agent officer, or other person authorized to pay personnel, who will authenticate such entries by placing his signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

c. *Currency Exchange.* (1) No entries will be made in the Record of exchanges involving *only* German and Austrian currencies, or exchanges involving *only* the currencies of *other countries* in this theater.

(2) The dollar value of marks or Austrian currency exchanged for money of other countries in this theater will be entered in column 4 and the balance in column 5 reduced accordingly; the same amount will be entered in column 6 and the balance in column 8 increased accordingly.

(3) The dollar value of currency of other countries in this theater exchanged for marks or Austrian currency will be entered in column 7 and the balance in column 8 will be reduced; the amount of the exchange will be entered in column 3 and the balance in column 5 increased accordingly.

(4) Currency exchanges will not be made without presentation of proper travel orders and/or compliance with such other regulations as may be promulgated by the Theater Fiscal Director.

(5) All exchange entries will be made by the officer, cashier or other authorized person who receives the money for exchange, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

d. *Exports.* (1) The purchase of any dollar instrument shall be considered as an export from the theater, regardless of the payee named thereon.

(2) The exchange of marks, Austrian money, or currency or any other country within the theater, for the currency of any country *outside* of the theater shall be considered as an export.

(3) All exports shall be deducted from the balance in columns 5 or 8 by appropriate entries in either column 4 or 7.

(4) Export currency exchanges (subparagraph (2) above) will not be made without presentation of proper travel orders and/or compliance with such other regulations as may be promulgated by the Theater Fiscal Director.

(5) All export entries will be made by the officer, cashier, or other authorized person who receives the money for exchange or transmittal, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

e. *Imports.* (1) The cashing of any dollar instrument shall be considered as an import into the theater.

(a) The finance officer, cashier, or other authorized person cashing such instrument will furnish a certificate dated, signed, and stamped with his block stamp or APO stamp substantially as follows: "I certify that I have on this date cashed a (check) (traveler's check) (money order) (bank draft) for \_\_\_\_\_ (name, rank, and organization) in the amount of \$\_\_\_\_\_ or equivalent, and that such amount has been properly entered in the concerned individual's Currency Control Record."

(b) The person for whom such transaction is effected will be advised to retain such certificate until the book in which the corresponding entry is made has been used up and replaced.

(2) The exchange of any currency of a country outside the theater for marks, Austrian money, or currency of any other country within the theater shall be considered as an import.

(3) All imports shall be added to the balance in column 5 or 8 by appropriate entries in either column 3 or 6.

(4) All import entries will be made by the officer, cashier, or other authorized person handling the transaction, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

(5) Except for new arrivals in the theater and personnel returning from the ZI, the amount of imports through currency exchange (subparagraph (2) above) shall not exceed the amount of previous currency export (subparagraph d (2) above) plus such pay and allowances as have been paid during absence.

f. *Purchases.* (1) The dollar value of all purchases from official agencies in the theater such as exchanges, commissaries, and clothing stores, shall be entered in column 4 (or 7) and the balance in column 5 (or 8) reduced accordingly. Such entries will be made to the nearest dollar and no entry need be made for individual purchases amounting to less than \$5.00.

(2) All entries for purchases which reduce the balance available will be made by the person receiving payment and will be authenticated.

(3) Sales agencies may require the presentation, at time of purchase, of the Currency Control Record even though deduction of amount of purchase therefrom is not necessary (such amount being less than \$5.00); they *will* take such action on frequent, unannounced dates.

g. All entries which increase the total balance available (column 5 plus column 8) will be made only by authorized personnel, as defined in this circular, who will authenticate entries by signature and serial number (or AGO identification card register number in case such official is a civilian).

h. No exchange, export, purchase or transfer will be made of an amount greater than the last balance shown in column 5 or 8, whichever is applicable.

6. *Space Exhausted in Record.* When space has been exhausted in any individual's Currency Control Record, he will be issued a new Record with an initial balance equal to the currency he then has in his possession, including European bank deposits, but not more than the final balance on his old Record. The new initial entry will be verified and authenticated by the personnel officer concerned; the old book will at the same time be taken up by such personnel officer, the action required by Par. 4, above, completed, and the old book (except for the cover) destroyed. (See Par. 11 for disposition of cover.)

7. *New Arrival in Theater.* a. All finance officers exchanging currency from outside this theater into the currency of a country in this theater, for personnel arriving in the theater without a Currency Control Record, will furnish such personnel, including dependents, with a statement in substantially the following form:

"I certify that I have converted ——— dollars (in words and figures) worth of ——— (name of country) money into ——— (name of country) currency for ——— (name, rank and serial number) who has recently arrived in the European theater."

Such certificate will be dated and signed by the finance officer, giving his disbursing symbol number.

b. Upon arrival at his first station in this theater, the individual will be issued his Currency Control Record by his unit personnel

officer or such official as may be designated by the commander to act as such (see Par. 3b). Such personnel officer will make an initial entry in the Record not exceeding the amount stated in the certificate referred to in a, above, and make and file the records prescribed in Par. 4.

8. *Departure from Theater or Separation from the Service within the Theater.* a. When an individual, upon departure from the theater on permanent change of station, or separation from the service within the theater, receives his final exchange of currency, or his final payment, his Currency Control Record will be taken up by the officer making such exchange, or final payment, and except for the cover, destroyed. (See Par 11 for disposition of cover.)

b. When an individual departs from the theater on leave, temporary duty or detached service, any currency of a country within this theater which he exchanges will be entered as in Par 5d above, and when such person returns to this theater, his exchange of outside currency for currency of a country in the theater will be entered as in Par 5e above.

9. *Loss of Record.* a. When a Currency Control Record has been lost or destroyed the owner will execute a certificate or affidavit as follows:

"I\* (certify)\* (solemnly swear)\* (affirm) that my Currency Control Record No \_\_\_\_\_ has been\* (lost)\* (destroyed) under the following circumstances \_\_\_\_\_ and that \_\_\_\_\_ (amount and type of currency) which I have in my possession, including European bank deposits, does not exceed the balance of my old Record in the type of currency involved; and that this currency was obtained only from cash pay and allowances received in this theater and money lawfully imported into this theater."

b. (1) Upon execution of such certificate or affidavit, a new Record will be issued with an initial balance in the amount and type of currency the individual has in his possession, including European bank deposits, but not greater than the sum stated in such certificate or affidavit, subject to the provisions of (2) below.

(2) The personnel officer will compare the amount arrived at as provided in (1) above, with the initial balance and date of previous last Record and will approve such amount only if the increase, if any, in the former can be accounted for as pay and allowances received in the interim and/or importations substantiated by evidence supplied by the claimant (see Par 5e (1) (a) and (b)). In the event reconciliation cannot be thus effected, the amount claimed will be reduced accordingly and such reduced amount will be entered as the initial balance in the replaced Record.

(3) As thus approved by the personnel officer, the new initial entry will be authenticated and the action required by Par 4 and 11b, completed.

c. Individuals requesting transmittal and/or exchange or conversion service at finance or postal facilities who claim to have lost their Records *will not* be granted transmittal service (PTA, Spearhead Deposit, Postal Money Order, Soldier's Deposit, etc.) but may ex-

\*Strike out parenthetical words not applicable.

change into other theater currencies in a *nominal amount* sufficient to overcome a demonstrated emergency pending issuance of a new Record.

10. *Pay from Army Agencies.* Money received by enlisted man as payment for employment at Army agencies may be entered in the Currency Control Record as provided by Par 5b.

11. a. In the case of used up or closed out Records (Par 6 and 8a) the cover bearing the serial number will be mailed on the first day of each month by letter of transmittal to this headquarters, attention of the Adjutant General, in order that such numbers may be cancelled from the lost of outstanding Records.

b. When new Records are issued to replace those which have been lost (Par 9), the serial numbers of the lost records will be reported by letter to this headquarters, attention of the Adjutant General.

c. The Adjutant General, this headquarters, in the case of serial numbers of lost Records (b, above) will furnish a list of such numbers to the Theater Fiscal Director and the Theater Postal Officer.

12. *Dependents.* Currency Control Records will not be issued to dependents. Dependents making purchases from exchanges, commissaries and clothing stores will present the Currency Control Record of the person on whom they are dependent for appropriate deduction or examination where required (see Par. 5f, above). In the case of absence of such person from home station under circumstances requiring his personal retention of his Currency Control Record, the necessary deductions from such Record for purchases made by his dependents during his absence will be effected as soon as practicable following his return, in accordance with regulations promulgated by local commanders.

13. *Personnel Authorized to Purchase from US Army Exchanges, Commissaries and Clothing Stores but who are not Paid from US Army or Navy Appropriated Funds.* a. The above category includes individuals such as ARC, UNRRA, AJDC, FLC and foreign liaison personnel, employees of other US governmental agencies, correspondents, and businessmen. Such personnel will not be issued the new Currency Control Record until and unless it is assured that all credit entries in the new Record, including the initial entry, will be dollar-backed. All such personnel, in order to continue to purchase from the above named facilities on and after 1 August 1946, must have in their possession the new Currency Control Record on or before that date.

b. To accomplish the above, the following steps will be required:

(1) *Administrative agencies* such as UNRRA, ARC, US State Department, FLC, AJDC, and similar establishments, will apply to this headquarters for the number of Currency Control Records required for their personnel. Applications for Records will be submitted at the earliest practicable date and in no case later than a date after which issuance of a Record to the individual by 1 August 1946 would be precluded. Such applications will include evidence acceptable to this headquarters that—

(a) All credit entries in the Currency Control Records, including the initial entries, will be dollar-backed; and

(b) All Records will be issued, accounted for and administered in accordance with the applicable terms of this circular.

(2) *Individuals attached directly to or administered directly by units or headquarters of the US Forces in this theater, such as foreign liaison personnel, certain foreign employees, business men, and similar persons, will be issued Records by the interested units or headquarters pursuant to the applicable provisions of this circular and only upon satisfactory evidence that the initial entry and subsequent credit entries are dollar-backed.* Such entries will be made *only* by such units or headquarters.

(3) The Theater Fiscal Director, and/or any fiscal or disbursing officer in the field, will be the deciding authority with respect to the fiscal requirements set forth in sub-paragraphs (1) (a) and (2) above. The Adjutant General, this headquarters, will be the approving or disapproving agency in regard to the provisions of subparagraph (1) (b) above. Within their respective provinces, the determinations of the Theater Fiscal Director and the Adjutant General, this headquarters, will be final.

c. Personnel affected by this paragraph will be permitted to make purchases in exchanges, commissaries and clothing stores until issued the Currency Control Record, or until 1 August 1946, whichever is first. For purchases subsequent to such issuance and/or on and after 1 August 1946, the Currency Control Record must be presented for appropriate deduction or examination where required (see Par. 5f above).

d. *It is imperative that the provisions of this circular, particularly of this paragraph, be brought to the attention of all affected persons at the earliest practicable date.*

14. a. All references to Cir 50, this headquarters, 15 April 1946, appearing in the Currency Control Record will be changed to cite this circular.

b. Instruction 7b in the Currency Control Record will be changed to read: "Purchases amounting to less than \$5.00 require no entry."

15. Reference is made to letter, this headquarters, AG 123.7 GAP-AGO, subject: "Prohibition Against Circulating, Importing, Mailing or Exporting United States and Continental Currencies, Including British Currency, in Liberated and Occupied Areas and Transactions Involving All Currencies Except Through Officials Channels," 27 February 1946, and to Cir 64, WD, 5 March 1946.

16. *Violation.* Any false or unauthorized entry in the Currency Control Record, any improper exchange or transmittal of currency, or any other violation or evasion of the terms of this circular will be dealt with by appropriate disciplinary action.

(AG 123.7 GAP-AGA)

By command of GENERAL McNARNEY.

M. G. WHITE,  
Major General, GSC, Acting Chief of Staff.

Official:

L. S. OSTRANDER,  
Brigadier General, USA, Adjutant General.

## CURRENCY EXCHANGE BOOK TRANSACTIONS

From: CG US Forces European Theater, Main, Frankfurt, Germany.  
To: War Department.  
Nr: S 27597.

11 OCTOBER 1945.

S 27597 to for action AGWAR from USFET Main signed Eisenhower cite ETGAP.

Pursuant to Para 5, your cable W 71871 dated 1st Oct 1945, this theater is instituting currency exchange control book system effective 10 November 1945.

It is recommended that disbursing officers in U. S. and in other theaters not exchange ETO currency without submission of exchange book for individuals who have left the theater subsequent to that date. The temporary stop gap measures previously referred to were liberalized on 28 Sept 1945 to permit the exchange or transmission of funds in amounts not limited to unencumbered pay plus 40 percent but with requirement and handling agency in each case be furnished with appropriate certification that amount sought to be transmitted was derived only from US official sources (pay and allowances or money legally imported while individual on duty in theater) and as so liberalized will be continued in effect until 10 Nov 1945.

As requested, this hqs will forward by Air Courier on or about 16 Oct 1945 copies of directive and exchange book to Office of Fiscal Director ASF Washington District of Columbia.

This hqs is withholding directive on use, by personnel subject to military law, of commercial facilities for the exchange or transmission of funds pending info on outcome of discussion referred to in para 5G of your msg W 71871. Request advice soonest.

End.

Action: Budget Division  
Inf: CG AAF; ASF; OPD; G-1, CAD; Mr. McCloy.

## TELEPHONE CONVERSATION WITH GEN. COBBS

War Department Special Staff.  
Budget Division WDSBU 123.7.  
(11 Oct. 45) Lt. Col. Upton 73289

23 OCTOBER, 1945.

Commanding General, U. S. Forces European Theater, Main, Frankfurt, Germany.

Number: WAR 78098.

For COMGENUSFETMAIN from WARBUDDIV

In telephone conversation with General Cobbs 19 October contents of following cable were transmitted:

"It is noted from your S 27597 that foreign exchange control card system will become effective your theater 10 November 1945. In WAR 71871 War Dept authorized an interim period in which the conversion

of foreign currency which had been accepted as initial declaration could be transferred. This provided for a strict examination of amounts in excess of 1 month's pay and allowances before they are accepted as initial declaration. Such conversion was to be limited to amount approved in a single declaration of all foreign currency acquired legally from pay and allowances and/or through Army channels from cashing dollar instrumentalities. Your S 27597 gives no indication that requests for transfer of funds by individual remaining in theater must be subject to approval by a single source, such as personnel officer acquainted with the man, rather it would appear that individual may make transfers on simple certificate without prior approval by personnel officer or check on any previous amounts transferred thus lessening control on transfers made through false and multiple certificates. With respect to individuals leaving theater, it would appear that practically no control exists for amounts being exchanged at POEs to judge from article by Gene Graff and Henry Watson in 8 October edition Stars and Stripes under title "POE Puts no Limit on Money Changing". Although administrative difficulties in theater are appreciated it is not clear what realistic barriers exist to the transfer to US dollar equivalent before 10 November of all illegitimately acquired funds thereby making exchange card effective only for funds to be acquired in the future. In view of WAR 68716, 24 September, indicating you would have reply to S 22572 on or about 29 September it is not understood why interim control measures were liberalized on 28 September prior to receipt of WAR 71871.

The War Dept. receives from the Congress sufficient dollars to meet the pay and allowances of all its military and civilian personnel. It cannot assume responsibility for the use of its facilities and cannot provide dollars (since there is no specific appropriation for the purpose) for the conversion into dollars of foreign currencies acquired by the sale of personal property, government property, post exchange supplies and by other means. Whatever use of dollars is sanctioned by your theater, either directly or through inadequate controls, to meet the conversion of foreign currency in excess of those amounts derived from pay and allowances and from dollar instruments cashed through official channels is entirely the responsibility of your theater and it is the intention of the War Dept. to call on you to send to Washington such officers as you may select to present to the appropriate executive and appropriating agencies of the government your justification for any unauthorized use of government funds which may result in a loss to the Treasury and force the War Department to seek an appropriation to cover such loss."

End.

Originator: Bud Div.  
Information: ASF; CG AAF; OPD; G-1; CAD; Mr. McCloy.

## EXCHANGE CARD CONTROL SYSTEM

27 OCTOBER 1945.

From: CG, US Forces, European Theater, Main, Frankfurt, Germany.  
To: War Department.  
Nr.: S 29485.

S 29485 action to AGWAR *personal attention General Richards*  
*sgd Eisenhower.*

Reference your message W-78098.

In W-71871 received here on 2 October War Dept. approved establishment of exchange card control at earliest feasible time and outlined controls as guidance. Implementation was begun immediately with effective date of 10 Nov. the earliest feasible time. The only deviations from controls suggested are necessitated by the history of exchange control and conditions due to redeployment in this theater.

In early August this theater on its own initiative imposed currency exchange control, limiting currency transactions to one month's encumbered pay plus ten per cent, modified shortly thereafter to allow exceptions for larger amounts with emphasis that origin should be US official sources. On 28 Sept 1945 the arbitrary limit of one month's pay plus ten per cent was revoked and personnel urged to convert accumulated pay and allowances and other money derived from US official sources in excess of current needs into US dollar instrumentalities rather than hold them in foreign banks and foreign currencies. This modification was necessary because of large amounts of accumulated pay and allowances in possession of redeploying personnel which were being legitimately presented at POE for exchange or transfer and was General Eisenhower's personal decision.

All the above restrictions were considered to be emergency and temporary measures pending reply to S-22572 dated 10 Sept. 1945. It is emphasized that in all the above and currency measures, transfer or exchange has been limited to funds derived from US official sources, defined as monies derived from pay and allowances or imported into this theater from the Zone of Interior while personnel have been in this theater. Certification of the source has been and is required of field officers. For lower ranks, examination of sources and written authorization for transfer by commander, personnel officer or class A agent officer was and is a requisite. The certification or validating of transfers are as exacting as those for pay accounts.

With reference to exchange control card effective 10 Nov.; as will be noted in copies sent by air mail, requirements for initial declaration are more restrictive than War Dep guidance in W-71871 and W-78098. Strict examination, certificate or affidavit, and approval of commander are required of any amount declared instead of all in excess of one month's pay, as suggested. However, if the amount declared is in excess of the difference between the amount of authorized receipts and transfers in the preceding three-month period, approval of the next higher commander is also required. The three-month period was chosen since that is the period of exchange control measures in this theater.

The suggestion in Para 5 (B) W-71871, "limitation on transactions to balance on card or one month's unencumbered pay plus, et cetera whichever is lower," is not feasible in this theater due to small amount of one month's unencumbered pay of many individuals and requirements of leaves and of frequent travel on duty status at this time. By limiting transaction to balance on card, individuals can regulate balance to current and individual needs.

Reference article Stars and Stripes 8 October; noted and action taken at that time. You are reminded that press reports do not express the official attitude of this theater, nor are their representations of facts necessarily correct.

We thoroughly appreciate position of War Dept and understand that appropriations are source of pay and allowances and the effect of excessive dollar conversions, but due to proximity are acutely aware of causative financial and economic chaos on continent. Currency valuation and arrangements concluded at national level, rather than implied sanction of evasions, render any stop gap measures of Army Finance currency control inadequate and ineffectual, and subject the American soldier to measures unduly repressive to him as an American citizen. If in fact a deficiency in appropriation for the pay of the Army is the result of evasions of controls measures, it is suggested that it be set up as a reparation claim.

Reference para 5 (G) W-71871 dated 1 Oct. and S-27597 dated 11 Oct. concerning commercial facilities for exchange and transmission of funds, request advice soonest to allow dissemination prior to 10 November.

End.

Action: Rud. Div.

Info: CG AAF; ASF; OPD; G-1; G-2; CAD; Mr. McCloy.

#### CIVILIAN PERSONNEL EXCHANGE CONTROLS

SUSPENSE DATE: 18 OCTOBER 1945.  
16 OCTOBER 1945.

SPFBC-123.7 (Exchange Control).

Attention: Mr. JOHN GUNTER, Room 2222.

TREASURY DEPARTMENT,

16th Street and Pennsylvania Avenue,  
Washington 25, D. C.

GENTLEMEN: Reference is made to conference held in the Office of the Fiscal Director on 11 October 1945 for the purpose of discussing the establishment of adequate exchange controls relative to civilian personnel in the European Theater.

It was agreed at the foregoing meeting that two cables would be dispatched to the Commanding General, U. S. Forces, European Theater. The first cable would be a brief cable in answer to cable S 26837 dated 6 October 1945, copy of which is attached and the second cable would be a comprehensive cable dealing in detail with specific exchange controls to be established governing all exchange transactions for civilian personnel.

The War Department has now prepared the attached draft of the first of the two outgoing cables referred to in the preceding paragraph. It is requested that you transmit your concurrence or comments on this draft to the Office of the Fiscal Director (Telephone Major Baldwin, Ext. 72564) by 1200, 18 October 1945.

Sincerely yours,

JOHN F. BALDWIN,  
*Major, Finance Department,  
Chief, Foreign Fiscal Affairs Section,  
Fiscal Control Branch.*

2 Incls.:

1. Cy cable S 26837 6 Oct. 45.
2. Draft cable.

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From: CG, US Forces, European Theater, Main, Frankfurt, Germany.  
To: War Department.  
Nr.: S 26837.

6 OCTOBER 1945.

S 26837 to Adj. Gen. War Dept. from USFET Main sgd. Eisenhower cite ETGEC.

Many employees of civilian agencies operating in this theater received dollar advances from their agencies before leaving the US and certain of these employees have since arriving this theater attempted to liquidate their advances by payment in reichsmarks here. In view of possibility that this method of liquidating advances would constitute a channel for remitting to US reichsmarks acquired from other than official US sources it is suggested that all civilian agencies employing personnel serving in Germany be requested to direct their fiscal or disbursing officers not to accept repayment of advances in reichsmarks but to limit repayment to currency received from official US sources.

Action: ASF.

Info: OPD; CAD; Bud. Div.

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Draft Cable To: Commanding General, U. S. Forces, European Theater, Main Frankfurt, Germany.  
Ref: S 26837

It is considered reference S 26837 that until further notice all civilian personnel employed by WD should be subject to same restrictions on foreign exchange transactions and insofar as possible same control mechanisms, including foreign exchange card, as military personnel reference WAR 71371. With respect to civilian employees of other departments or agencies, it is contemplated that you will be issued coordinated instructions by War Dept in the near future which will severely limit use by such civilians of Army finance offices (and necessitate their using commercial facilities where available). Pending receipt such instructions WD considers you have full authority to instruct field disbursing officers of other departments or agencies which use Army finance facilities for any purpose whatsoever to limit currency exchanges or remittances for their civilian personnel, either when made directly through field disbursing officers of agency

concerned or when made through Army disbursing officers, to those which are in accord with spirit and practice of Army exchange restrictions. State, Treasury, Red Cross, WSA, FEA, and UNRRA are informing their field offices accordingly and concur in this cable. You should therefore communicate contents this cable to the appropriate agencies and give them adequate instructions re practices referred to S 26837.

(Note: There is no evidence to show that this draft was ever transmitted.)

#### REPORT ON GERMAN MARKS

ASF OFFICE of the Fiscal Director SPFAM Accts Div 3687 Maj  
L E Kelly.

25 OCTOBER 1945.

Information: Commanding General, US Forces European Theater  
Rear, Paris, France.

Number: WARX 78822.

For: Fiscal Dir from SERV FIS SPFAM.

Consolidated report of German marks as at 31 August urgently required. Request this report be sent air mail soonest possible.

End

Originator: ASF-Fisc.

Information: Budget Division.

#### PRODUCTION OF AMM IN GERMANY

Civil Affairs Division Operations Division WDGS OPD 311.23  
CAD Lt Col Hilliard 73766

31 OCTOBER 1945.

Commanding General, US Forces European Theater, Main, Frankfurt, Germany.

Number: WAR 80171.

Signed WARCOS cite CAD.

Earliest advice requested whether decision reached urad Oct S 26158 relative to production in Germany AM mark currency.

End

Originator: CAD.

Information: ASF Fisc; OPD; G-2 (State); Mr. McCloy, Budget Division.

#### EXCHANGE GERMAN INDIGENOUS CURRENCY

##### EXTRACT

Hq Asf Off of the Fisc Dir  
Fisc Contr Jr Foreign  
Fisc Affairs Sec Maj Baldwin  
72639

31 OCTOBER 1945.

Information: Commanding General, U. S. Forces, European Theater,  
Main, Frankfurt, Germany.

Number: WARX 80261

From SERVVIS SPFBC signed WARCOS

New Subject:

Par 6. For info of all concerned no German Indigenous currency is authorized for exchange by Disbursing Officers. Although Rentenbank notes and Reichsbank notes in denominations of not higher than 50 marks were acceptable for exchange for auth pers prior to 19 April this year, such currency is no longer acceptable. The above prohibition supersedes any cable, ltr, or telephone instructions relative to exchangeability German indigenous currency issued by OFD ASF to any individual Disbursing Officers, Service Commands or Overseas Theaters prior to date this cable. If any Disbursing Officer possesses Rentenbank currency or Reichsbank currency not higher than 50 marks exchanged prior to receipt of notification above prohibition, such currency should be transferred immediately by Disbursing Officers in continental United States and EDC to FOUSA New York and by Disbursing Officers in overseas theaters and commands other than European Theater to Central Disbursing Officer continent at address indicated in Par 2 above. Disbursing Officers should forward with such currency a certificate stating currency was received by Disbursing Officer in his accounts prior to receipt of directive prohibiting acceptance such currency from individuals.

End

#### RATE CHANGES AND DEVALUATION UNCLASSIFIED

From: TSFET Main 011600A.

To: AGWAR Budget Division.

GR NC.

SC 3084.

Unclassified NPD. General Cobbs recalls Lieut. Colonel Upton showing him while in Washington cable from this theater containing information to effect that theater commander does not approve of protection to soldier in event of rate changes involving devaluation of currencies. PD Unable to locate cable here to determine origin. PD Please furnish cable reference number and date. PD Signed Lee cite SOFDD.  
BT 011600A.

#### CIVILIAN CURRENCY EXCHANGE CONTROL REGULATIONS

DFAA

TOO 020925Z NOV

USFET Main 417/2.

TOR 021250A Nov.

From: TSFET REAR SIGNED LEE

To for Action: Seine Section, Chanor Base, Delta Base, Oise Intermediate, Bremer Port Command, UK Base.

For Info.: TSFET Main for Civilian Personnel Officers.

Ref. No.: ETX-5331, 02 Nov 45 Cite: SOAGA.

## BOOK MESSAGE

1. Reference Theater Service Forces, European Theater circular 207, dated 25 October 1945, and US Forces, European Theater circular 139, dated 10 October 1945. All civilian personnel subject to US military law will be affected by the new currency exchange control regulations which will become effective 10 November 1945. In brief, each such employee will be required to execute an affidavit of their currency holdings as the currency exchange control book is issued. This initial declaration will be approved within limits defined under paragraph 5 of US Forces, European Theater circular 139.

2. It is important from an employee relations standpoint that civilian personnel be properly informed of and instructed in these new requirements. In this way, unfavorable reaction to administrative details will be avoided. Civilian personnel officers therefore will initiate individual plans for disseminating provisions of circular to employees concerned prior to 10 November. The following plans are suggested (plan A is recommended):

(A) Assembly of civilian personnel concerned to explain new regulations and answer questions. Extracts of pertinent provisions of circular 139 might be distributed, or

(B) If circumstances preclude assembly, a distribution of memorandum reproducing following paragraphs of circular 139: 2, 4, 5, 6, 7, 8, 10, 13, and 15 should be made to each employee affected.

4. The suggested plans may be implemented locally by suitable adaptations to achieve maximum understanding by civilian personnel of new regulations.

5. Effort is being made to amend basic circular to have officer privileges extended to civilian personnel. You will be advised of any such changes as soon as further information is available.

Action: AG.

Information: SGS; Theater Service Forces, Main; G-1; HQ COMD; Summary; AG Records.

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DISTRIBUTION OF CURRENCY EXCHANGE CONTROL RECORDS

Nr: SC-2838

1 NOVEMBER 1945.

From: CT, US Forces, European Theater, Main, Frankfurt, Germany.  
 To: CG, US Forces in Austria, Main, Vienna, Austria; CG, US Forces in Europe, Main, Weisbaden, Germany; Hq, European Division, ATC, Paris, France; CG, Theater Service Forces, European Theater Rear, Paris, France; Hq, Eastern Military District, Germany; Hq, Western Military District, Germany; Hq, 15th US Army; Hq, XVI Corps; Hq, Berlin District; Hqs, Ground Force Reinforcement Command; Deputy Military Governor, OMG (US); CG, US Forces, European Theater Mission to Norway; CG, US Forces, European Theater Mission to Denmark; CG, US Forces, European Theater Mission to Belgium and Luxembourg; CG, US Forces, European Theater Mission to France; Military Intelligence Service; CG, US Forces, European Theater Mission to the Netherlands.

Information: War Department CG, Mediterranean Theater of Operations, US Army, Caserta, Italy.

From USFT Main info AGWAR for WARBUDDIV, SC 2838 book message, signed Eisenhower cite ETGAP.

Reference is made to Circular 139 this Headquarters dated 10 October 1945, particularly annex "A" thereto. Individual books are now in the process of distribution. It is anticipated such distribution will be completed down to and including company level not later than 5 November 1945. Prior to the execution and issuance of the individual books in every case, the following additions will be inserted by printing in ink or typing: Front cover of book: Following the words "less amounts transmitted outside this theater" add "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol instru"). Following the words "cash and bank deposits in my possession in this theater" add "in European currency derived only as per following certificate." Following the words "the foregoing initial \* balance \* declaration of blank dollars" add "is approved." Inside of book: To headings of columns 4 and 7: add words "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol inst"). Instructions on back cover of book: Column 2: Strike out last word (etc) and add "SPD (Spearhead SEP)." Column 4 add "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol instru"). Column 7 add "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol inst").

Books printed hereafter will have incorporated the foregoing additions.

Pending formal amendment of the basic circular, paragraph 8 B thereof is changed to read "similarly, amounts of marks or Austrian currency transferred out of the theater, or exchanged for many of other European countries, or converted into dollar instrumentalities, will be entered in column 4, and amounts of currency of other European countries transferred out of the theater or converted into dollar instrumentalities, will be entered in column 7 by the officers cashier, or other person who receives the money for exchange or transmittal; the balance in column 5 or 8 will be reduced accordingly," and the certificate contained in paragraph 12 A thereof is changed to read "I \* (certify) (solemnly swear) (affirm) that my currency exchange control book has been (lost) (destroyed) and that blank (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved, less amounts exchanged or transmitted from this theater or converted into dollar instrumentalities since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in this theater, and money lawfully imported into this theater."

The term dollar instrumentalities as used in subject circular and currency exchange control book is interpreted as including money orders, spearhead deposits, Treasury checks, et cetera made out to oneself or bearer.

It is desired that commanders of all echelons give their personal attention to the dissemination of foregoing and take appropriate steps to insure compliance therewith.

End

Action: Bud. Div.  
Info: CG AAF; ASF; OPD.

## VALIDATIONS OF CONVERSIONS AND TRANSFERS OF MILITARY CURRENCY

WAR DEPARTMENT—OFFICIAL BUSINESS

## OUTGOING CLASSIFIED MESSAGE

Office of Origin: War Department Special Staff Budget Division,

WDSS WDSBU 123.7 (11 Oct 45) 2123

Precedence: Routine

Date: 3 November 1945

Extension: 2806

Name of Officer Preparing: Colonel Pforzheimer

To: Commanding General, United States Forces, European Theater,  
Main, Frankfurt, Germany.

ATTENTION IS DRAWN TO PARAGRAPH THREE REURAD SUGAR TWO NINE FOUR EIGHT FIVE WITH PARTICULAR REFERENCE TO LAST THREE SENTENCES THEREOF PD YOU WILL NOTE THAT IN WAR SEVEN EIGHT ZERO NINE EIGHT EMPHASIS WAS PLACED UPON CERTIFICATION OR VALIDATION OF CONVERSIONS AND TRANSFERS BEING VESTED IN A SINGLE LOCAL SOURCE FAMILIAR WITH SOLDIER AND HIS HABITS PD IT IS NOT CLEAR FROM YOUR MESSAGE THAT THE INDIVIDUAL SOLDIER CMA PARTICULARLY IF NOT TRAVELING AS PART OF A BULK TROOP MOVEMENT CMA CANNOT APPEAR FOR VALIDATION PURPOSES [BEFORE SEVERAL PERSONS INCLUDING HIS COMPANY COMMANDER CMA HIS PERSONNEL OFFICER CMA OR] A CLASS QUOTE ABLE UNQUOTE OFFICER AND IN TURN BEFORE SIMILAR OFFICERS OR PERSONNEL NOT ACQUAINTED WITH SOLDIER [FAR REMOVED FROM HIS HOME STATION] PD [THIS APPLIES PARTICULARLY TO SOLDIERS ON LEAVE CMA BEING REDEPLOYED OR THOSE ASSIGNED TO TEMPORARY DUTY IN AREAS REMOTE FROM THEIR HOME STATIONS PD LIKEWISE CMA IT IS NOT CLEAR FROM YOUR CABLE AS TO WHAT MEASURES ARE TO BE INVOKED CMA IF ANY CMA TO PRECLUDE THE APPEARANCE FOR VALIDATION PURPOSES OF A MAN BEFORE SEVERAL VALIDATING OFFICERS EVEN IN THE IMMEDIATE NEIGHBORHOOD OF HIS PERMANENT STATION PD THE CONTROL OF CERTIFICATIONS AND VALIDATIONS FROM A SINGLE SOURCE FOR EACH INDIVIDUAL CMA PARTICULARLY THOSE MOVING ABOUT IN MASS TROOP MOVEMENTS CMA IS CONSIDERED OF PRIME IMPORTANCE BY THE WAR DEPARTMENT PD PARA IF YOU CONSIDER LIMITATION OF TRANSFER AND CONVERSION TO ONE MONTHS UNENCUMBERED PAY AND ALLOWANCES OR BALANCE SHOWN ON CARD CMA WHICHEVER IS LESS CMA IS NOT ADMINISTRATIVELY FEASIBLE YOUR THE-

ATER CMA WAR DEPARTMENT WILL CONCUR LIMITATION TRANSFERS AND CONVERSIONS TO BALANCE SHOWN ON CARD PD PAREN FOR COMGENUSFET MAIN FROM WARBUD PAREN HOWEVER WISH TO POINT OUT THAT ORIGINAL PROPOSAL BY FORCING INDIVIDUAL TO ACCUMULATE SAVINGS IN POSTAL CHECKS OR OTHER DOLLAR INSTRUMENTS ON A MONTHLY BASIS CONSIDERABLY REDUCES POSSIBILITY THAT INDIVIDUAL WILL LIVE OFF BLACK-MARKET DURING TOTAL PERIOD IN THEATER AND TRANSFER TOTAL ACCUMULATED BALANCE SHOWN ON CARD UPON HIS REDEPLOYMENT PD ALSO BY LIMITING FOREIGN CURRENCY INDIVIDUAL MAY AUTHORIZEDLY PRESENT FOR EXCHANGE IN ANY ONE MONTH IT WILL SIMPLIFY ADJUSTMENT PROBLEMS ARISING IN CASE OF DEVALUATION OF LOCAL CURRENCY PD PARA CHARGING A DEFICIENCY IN DOLLARS AVAILABLE FOR FOREIGN CURRENCY CONVERSION TO REPARATIONS OR AS OCCUPATION COST AS SUGGESTED IN LAST SENTENCE YOUR PENULTIMATE PARAGRAPH AND ORIGINALLY PROPOSED IN YOUR SUGAR TWO TWO FIVE SEVEN TWO MIGHT IN ESSENCE BE CONSTRUED AS UNITED STATES GOVERNMENT CONDONING PRACTICES AT THE EXPENSE OF A DEFEATED NATION SOMEWHAT AKIN TO PRACTICES ENGAGED IN BY FORMER ENEMIES PD ALSO BLACK MARKET PROBLEM IS FAR WIDER THAN LIMITATION TO DEFEATED COUNTRIES PD PARA CONCERNING INQUIRY IN YOUR LAST PARAGRAPH REPLY WAS DISPATCHED ON TWENTY THREE OCTOBER AS WAR SEVEN EIGHT FIVE ONE SIX AND FURTHER REPLY WILL BE MADE IN ABOUT TWO WEEKS PD HOWEVER CMA WHERE COUNTRY CONCERNED IS ITSELF WILLING TO SUPPLY DOLLARS FOR REMITTANCES OF AUTHORIZED PERSONNEL THROUGH REGULAR COMMERCIAL CHANNELS CMA SUBJECT TO ITS OWN REASONABLE NATIONAL EXCHANGE RESTRICTIONS CMA AVAILABILITY OF OFFICIAL ARMY FACILITIES FOR CIVILIAN PERSONNEL CAN BE CORRESPONDINGLY REDUCED PD FURTHER REPLY ON THIS MATTER WILL SEEK TO OUTLINE EXTENT TO WHICH WAR DEPARTMENT AND AGENCIES FEEL THIS CAN BE DONE AT THIS TIME.

S-29485 is CM-IN-12978 (26 Oct 45)

S-22572 is CM-IN-8112 (11 Sept 45)

Distribution: AAF; ASF; OPD; G-1; G-2; CAD; Mr. McCloy  
Coordination content, and classification authenticated by George J. Richards, Major General, GSC., Director, Budget Division.

(NOTE.—This was not sent since it was decided by the War Department that this matter would be discussed by Col. Pforzheimer with the Theater Commander.)

## NEWS STORIES IN HERALD TRIBUNE AND N. Y. TIMES

4 NOVEMBER 1945.

From: CG USFET Main, Frankfurt, Germany

To: War Department; Information: CG USFET Rear, Paris, France.  
Nr: S. 30303.

To for action AGWAR for Surles for infor to WARBUDDIV.  
To for info Theater Service Hq European Theater Rear. Ref no  
S-30303 from Lovejoy signed Eisenhower cite ETBPR.

As result of stories during past week in Herald Tribune by Tom  
Twitty and in New York Times by Drew Middleton it is believed it  
would be desirable and effective for General Smith to hold press  
conference during next day or two on general subject of amounts  
of pay received by military and War Department civilian personnel  
in this theater as contrasted to remittance to US.

General Smith approves this plan. However WD Circular 236  
dated 3 August indicates that WD Control Guide expresses policy  
that size of pay rolls should not be released for publication.

It is requested permission be granted to release such information  
in this theater at this time. Attention is invited to fact that this  
circular was issued before V/J Day and presumable encompassed  
security protection during period of active operations. Reply re-  
quested soonest.

End

Action: Gen Surles.

Infor: ASF; Bud Div.

## QUADRIPARTITE CURRENCY PRODUCTION COMMITTEE

From: CG, USFET, Main, Frankfurt, Germany.

To: War Department.

Nr.: S 30815.

8 NOVEMBER 1945.

Ref nr S 30815 to War Dept for War Dept Chief of Staff repeat for  
info to Office of Military Government for Germany US for Finance  
Div signed Eisenhower reference urad W 80171, 31 October 1945, cite:  
CAD cite ETGEC.

Quadripartite currency production committee has not yet deter-  
mined whether Am marks can be produced here but indications are  
that additional Am marks, if needed, can not be produced in Germany  
mainly due to lack of raw materials for paper. Need for additional  
Am marks still under consideration by committee. Send future cables  
on this subject to Office of Military Government for Germany (US),  
with information copy to US Forces European Theater (Main).

End

Action: CAD.

Info: ASF, OPD, G-2 (State), Mr. McCloy.

## DISTRIBUTION OF REICHSBANK BRANCHES

From: CG, USFET, Main, Frankfurt, Germany.  
To: War Department.  
Nr.: S 30765.

8 NOVEMBER 1945.

S 30765 AG War Department *for War Department Chief of Staff* repeat for information to Office of Military Government for Germany (US) *signed Eisenhower cite ETGEC.*

Reference ourad Sept. S 22741 and urad WX 65848 request clarification whether "Appropriate disposition among Reichsbank branches throughout Germany" of German mark currency uncovered Merkers mine authorizes distribution of this currency to British, Soviet, and French authorities or to banks in their zones on the basis of respective future requirements in those zones.

This currency totalling 2,759,401,200 Reichmarks has been deposited in the Reichsbank Frankfurt AM Main and 208,926,200 of these reichsmarks have been distributed to banks in the US zone to date.

End

Action: CAD.

Info: ASF; OPD; G-2 (for State); Adm King; Mr. McCloy.

## COUNTERFEIT GERMAN CURRENCY

From: CG USFET Main, Frankfurt, Germany.  
To: War Department.  
No.: S 31178.

11 NOVEMBER 1945.

S 31178 from USFET Main to for action AG War Dept repeat for info to Off of Mil Govmt for Germany (US) *signed Patton cite ETGEC.*

Counterfeit or altered German currency and allied military marks coming into possession of US military or Naval personnel are forwarded to nearest disbursing officer, with details, who sends them to Currency Section, Financial Branch of Military Government, without taking them into his accounts. If this type of currency is discovered by a Disbursing Officer after being taken into his accounts, it is sent to Currency Section with details and request for reimbursement. Propose for Currency Section to make reimbursement on both types of transactions based on merits of each case, where evidence indicates reasonable precautions were taken to avoid acquisition of the currency and where there is no evidence of fraud.

One allied military mark note, in series of notes lost in transit from England to the continent on 14 November 1944, has shown up in England in accounts of Air Ministry. (The loss has been written off as a cash loss.) Others may be in circulation and come into the possession of military or naval personnel. Propose for Currency Section to make reimbursement on such notes under the same conditions outlined above.

Request concurrence in reimbursement policy outlined above.

End

Action: ASF.

Info: CAD, Budget Div.

## REIMBURSEMENT FOR COUNTERFEIT CURRENCY

Civil Affairs Division,  
Operations Division, WDGS,  
OPD 311.23, CAD 73766, Lt. Col. Hilliard,

28 NOVEMBER 1945.

CG USFET Main, Frankfurt, Germany.

Number: WAR 85649.

Signed WARCOS cite CAD reurad S 31178.

Approve reimbursement procedure outlined S 31178 for counterfeit  
or altered mark currency.

End

S 31178 is CM-IN-4459 (11 Nov 45).

Originator: CAD.

Information: ASF Fisc; OPD; G-2 (State); CAD (Treas); Navy;  
Bud Div.

## FINANCIAL BRANCH, OFFICE OF MILITARY GOVERNMENT

11 NOVEMBER 1945.

From: CG USFET Main, Frankfurt, Germany.

To: War Department.

No: S 31180.

S 31180 from USFET Main to AG War Dept. for War Dept. Chief  
of Staff repeat for info to Off Mil Govmt for Germany (US) signed  
Patton cite ETGEC.

Propose for Currency Section, Financial Branch, Office of Military  
Government (US Zone) to deposit all stocks of 10 marks with  
Reichsbank, Frankfurt, under a special account, and control dispo-  
sition of such stocks and use this account and the accounts authorized  
in July W 27746 for the disbursements and receipts prescribed in  
August W 44757.

May we have your concurrence?

End

Action: CAD.

Info: ASF, OPD, Mr. McCloy, Bud Div.

## DEPOSIT AND DISPOSITION AM STOCKS

Civil Affairs Division  
Oper Div WDGS OPD 311.23  
CAD (30 Nov 45) 73766  
Lt Col Hilliard

30 NOVEMBER 1945.

Commanding General,

U. S. Forces, European Theater, Main,  
Frankfurt, Germany.

Number: WAR 86248.

Signed WARCOS cite CAD reurad Nov S 31180.

Procedure proposed S 31180 for deposit and disposition AM mark  
stocks approved.

End

End

Originator: CAD.

Information: ASF-Fisc; OPD; G-2 (State Dept); CAD (Treasury Dept).

DEPOSIT OF ALLIED CURRENCY IN REICHSBANK

To: Office of Military Government for Germany (US) for Finance Division.

From: U. S. Forces European Theater, Main, Signed McNarney.

Ref. No.: S32924. Cite ETGEC. Too: 271730A.

Following is cable W-85085 received from Adjutant General, War DEPARTMENT signed WAR DEPARTMENT, CHIEF OF STAFF.

"REOURAD W-65848 REURAD S-30765." Authorization contained W-65848 REURAD S-30765 includes deposit of such GERMAN Mark Currency in REICHSBANK Branches in US ZONE only, and does not include distribution by you of this currency to BRITISH, FRENCH, and SOVIET Authorities or to banks in their zones. However transfer by REICHSBANK FRANKFURT to REICHSBANK BRANCHES in zones other than US ZONE is permissible.

"You are authorized, at your discretion, to assist REICHSBANK FRANKFURT in transporting this currency to REICHSBANK Branches in other zones."

This matter is referred to you for further action after you have considered whether (1) this currency supply should be limited to zones wherein are branches of REICHSBANKS or (2) the matter should be referred again to WAR DEPARTMENT for approval for supplying BERLIN and other areas not having REICHSBANK Branches.

W85085 is SMC IN 18541, 25/11/45, MG (US ZONE).

W-65848 is SMC IN 10442, 19/4/45, G-5.

S-30765 is SMC OUT 1494, 8/11/45, MG (US ZONE).

Originator: MG (US ZONE).

Authentication: C. L. ADcock, *Major General*.

Information: SGS. G-1. AG RECORDS.

ACCEPTANCE ETO CURRENCIES FOR EXCHANGE

Hqs ASF, OFD, Fiscal Control Br,  
FFA Section 72689

Capt John M. Neill

29 NOVEMBER 1945.

CG USFET MAIN, Frankfurt, Germany.

Number: WAR 85985.

SERVFIS SPFBC.

There is quoted below proposed radio to all service commands in Continental US and Oversea Theaters relative to acceptance of European Theater currencies for exchange. Your concurrence and comment requested earliest.

"Subsequent to 10 Dec. 1945 no European Theater currencies should be accepted for exchange outside the European Theater except upon presentation of currency exchange control book issued by European Theater to all personnel. This book indicates maximum dollar equivalent of foreign currency in possession of individual eligible for con-

version into dollars. Subsequent to 10 Dec. 1945 when a European Theater currency is presented for exchange outside the European Theater and such currency is not accompanied by a currency exchange control book the individual requesting exchange will be required to execute in addition to other appropriate certificates and/or affidavits a sworn affidavit establishing the reason why he has no such book in his possession. If the individual states that he was not issued a currency exchange control book while stationed in the European Theater he should establish in a fore-mentioned sworn affidavit that he departed from the European Theater prior to 10 Nov. 1945 and no currency exchange control book was ever in his possession. If the individual states that his currency exchange control book was lost or destroyed he should execute the following sworn affidavit:

"I swear (or affirm) that my currency exchange control book has been (lost) (destroyed) and that blank (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved less amounts exchanged, transmitted, or converted into dollar instrumentalities since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in the European Theater and money lawfully imported into that theater."

When a disbursing officer outside the European Theater makes an authorized exchange of European Theater currency if it is determined that the individual requesting exchange has PCS orders from the European Theater the disbursing officer should clearly stamp "final payment" on the individual's currency exchange control book and return it to the individual with the instruction that if an enlisted man he should return the book to his personnel officer for attachment and forwarding with his records for future reference. If the individual requesting exchange is an officer he should be instructed to attach or cause to be attached the currency exchange control book to his officer's qualification card (WD AGO Form 66-1). If it is determined upon an examination of the individual's orders that he is merely on leave, temporary duty, or detached service from the European Theater the disbursing officer effecting the exchange should make appropriate notation in the currency exchange control book and return it to the individual to be kept in his possession. Such entries should clearly indicate in column 9 the location of the disbursing officer effecting the exchange. Certificates and/or affidavits prescribed by WD cir 364, 1944 and other current directives continue applicable.

Were currency exchange control books issued to all personnel your theater 10 Nov. 1945 and is 10 Dec. 1945 considered as allowing adequate time lapse so that personnel who left your theater prior to distribution of currency exchange control books will have had opportunity to present any foreign currency in their possession for exchange?

End

Originator: ASF-Fisc.  
Information: Budget Div.  
Capt Neill: J. H. N.

## CURRENCY EXCHANGE CONTROL

1 DECEMBER 1945.

From: CG USFET, Main, Frankfurt, Germany.  
To: War Department.  
Nr: S 33444.

From USFET Main to for action AGWAR ref nr S 33444 sgd McNarney cite ETGAP.

Concur in proposed message relative to currency exchange control reference your W 89985, 30 Nov. 45 cite SPIBC.

Issue of currency exchange control books was not complete by 10 Nov. 45 but has been complete sufficiently long to make 10 Dec. 45 an appropriate time for effective date of your policy.

End

Action: ASF.  
Info: Bud. Div.

## STANDING OPERATING PROCEDURE NO. 11

HEADQUARTERS,  
EUROPEAN THEATER OF OPERATIONS,  
UNITED STATES ARMY.  
(Probable date: 1 Dec. 1945.)

## FISCAL PROCEDURES

\* \* \* \* \*

## EXTRACT

## I—MOUNTING OPERATIONS FROM UK

1. *Mission:* a. To assist in the reduction of funds in the possession of individuals by encouraging the use of Soldiers' Deposits, the purchase of War Bonds and the transmission of funds to the US by Personal Transfer Account.

b. To accept personal funds for safeguarding.

c. To exchange currency (dollars and sterling), in the possession of individuals, for the appropriate currency.

d. To provide, at the home station, a partial payment to each officer and soldier who does not have the equivalent of approximately \$1.00 at the time personal funds are collected for conversion.

e. To accept organization funds in cash for safekeeping.

f. To provide finance service, where required, for troops remaining in the UK after organic finance service is suspended.

2. *Procedure:* a. *Reduction of Funds of Military Personnel.* Organization commanders will encourage all troops to dispose of all funds possible in Personal Transfer Account, Soldiers' Deposits, Spearhead Deposits or purchase of War Bonds, prior to leaving their home stations.

b. *Payment and Currency Exchange to Troops.* (1) Units and individual officers will be paid in full to include the last day of the preceding month, prior to leaving their home stations.

(2) Partial payments in appropriate currency at home stations will be made to each officer or soldier who does not have the equivalent of \$4.00 at the time personal funds are collected for conversion. Such partial payments, not to exceed approximately \$4.00 in the appropriate currency, will be in amounts determined by unit commanders and, due to the rate of exchange, may be stated in dollars and cents, rather than even dollars as ordinarily required.

(3) Unit commanders will prepare lists, in duplicate, of their organizations at their home stations. This list will include the names of all officers as well as enlisted men. Extra copies of the Embarkation Personnel Roster prepared by MRU may be used for this purpose. They will collect from members of the organization all currency in their possession, to be exchanged for the appropriate continental currency, except a sum of approximately ten shillings (currency or coin) which should be retained for necessary purchases prior to embarkation. The amount collected from each individual for conversion will be shown opposite his name, leaving sufficient space to enter the converted value of the appropriate currency. The funds collected will be turned in to the local Finance Officer at the home station (the Finance Officer normally paying the unit) who will furnish to the organization commander the appropriate continental currency in the correct amount to pay the organization the amounts due each individual as indicated on the prepared list.

\* \* \* \* \*

## STANDING OPERATING PROCEDURE No. 11

HEADQUARTERS,  
EUROPEAN THEATRE OF OPERATIONS,  
UNITED STATES ARMY.

### FISCAL PROCEDURES

\* \* \* \* \*

### EXTRACT

#### II—CONTINENTAL OPERATIONS

\* \* \* \* \*

#### 4. Currency:

\* \* \* \* \*

*d. Dollars and/or Sterling Currency Not Used on Continent.* (1) Dollar and/or sterling currency are not legal tender on the Continent, and all US and attached allied personnel are prohibited from accepting British or US currency from civilians or other persons. Any person subject to military discipline violating this order is subject to trial by court martial.

(2) Finance Officers will not exchange sterling or dollar currency for the appropriate currency for other than members of the US and allied forces and their attached civilian personnel, and then only if they are reasonably certain that the person acquired such money legally and is a *bona fide* holder of the same. There will undoubtedly be cases where military and attached civilian personnel on the Continent will arrive with dollar and/or sterling currency which was not

exchanged for some valid reason. Where it is clearly apparent that such personnel are entitled to exchange funds in their possession, Finance Officers will make the exchange at the prevailing rate. Where the Finance Officer has a reasonable doubt concerning the acquisition of money presented for exchange, he will report the facts to his commanding officer for approval or disciplinary action, whichever is warranted by the facts.

*c. Restrictions on Currency.* (1) All US troops, and civilian personnel attached thereto, initially entering a country will be required to exchange all currency in their possession for the appropriate currency of the country they are entering.

(2) Exchange of currency will be made for US troops or attached allied or civilian personnel when leaving the continent. The exchange of currency for the appropriate currency of the country which the troops or civilian personnel are to enter will be made in the port of embarkation area.

(3) Finance Officers who receive requests to exchange French francs or other foreign currencies in large amounts exceeding normal pay will require from the person desiring the exchange a written statement to the effect that the currency was acquired legally and he is a *bona fide* holder thereof. The statement must be certified to by the individual's commanding officer.

*f. Restrictions on Financial Transactions.* All foreign financial and foreign trade transactions, and all exports and imports of currency, by any member of the armed forces are prohibited except as permitted under regulations issued by Headquarters, European Theater of Operations, US Army.

*g. Exchanges of Local Currency and Coin.* Exchange of *Chambre de Commerce* notes or other currencies of different localities will be made at par. Where troops arrive in an area with small denomination currency of a different locality, Finance Officers will exchange currency and coin, at par, for that issued in the particular locality, and will transfer the local monies to a Finance Officer located in the area in which they are in use.

*h. Currency Controls.* Instructions relative to the exchange of currency for military personnel moving from one country to another on the Continent will be issued as necessary.

\* \* \* \* \*

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CIRCULAR No. 139

To: U. S. Forces, Austria; U. S. Air Forces in Europe; European Div. Air Transport Command; Theater Services Forces, Rear; Eastern and Western Mil. Dist.; 15th U. S. Army; XVI Corps; Berlin Dist.; Ground Forces Reinforcement Command; Deputy Mil. Governor, OMG (U. S.); U. S. Forces European Theater; Mission to Norway, Denmark, Belgium, and Luxembourg and France; Mil. Intelligence Service; U. S. Forces European Theater; Mission to Netherlands.

For info: AGWAR for WARBUDIV, CG MTOUSA.

From: U. S. Forces European Theater, Main, Signed Eisenhower.

Ref. No.: SC 2888. CIT ETGAP. TOO; O11400A.

## BOOK MESSAGES

Reference is made to circular 139 this Hqs. dated 10 Oct. 1945, particularly annex "A" thereto. Individual books are now in the process of distribution. It is anticipated such distribution will be completed down to and including company level not later than 5 Nov. 1945. Prior to the execution and issuance of the individual books in every case, the following additions will be inserted by printing in ink or typing: front cover of book: following the words "Less amounts transmitted outside this theater" add "or converted into dollar instrumentalities" (abbreviated thus "or conv into dol instru"). Following the words "cash and bank deposits in my possession in this theater" add "in European currency derived only as per following certificate." Following the words "The foregoing initial \*balance \*declaration of blank dollars" add "is approved." Inside of book: to headings of columns 4 and 7: add words "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol instru." Instructions on back cover of book: column 2, strike out last word (etc.) and add "SPD (spearhead dep)." Column 4, add "or converted into dollar instrumentalities" (abbreviated thus "or conv into dol instru"). Column 7 add "or converted into dollar instrumentalities" (abbreviate thus "or conv into dol inst"). Books printed hereafter will have incorporated the foregoing additions.

Pending formal amendment of the basic circular para 8B thereof is changed to read "similarly, amount of marks or Austrian currency transferred out of the theater, or exchanged for money or other European countries, or converted into dollar instrumentalities, will be entered in column 4, and amounts of currency of other European countries transferred out of the theater or converted into dollar instrumentalities will be entered in column 7 by the officers, cashier, or other person who receives the money for exchange or transmittal; the balance in column 5 or 8 will be reduced accordingly.", and the certificate contained in para 12A thereof is changed to read "I \*(certify) (solemnly swear) (affirm) that my currency exchanged control book has been (lost) (destroyed) and that blank (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved, less amounts exchanged or transmitted from this theater or converted into dollar instrumentalities since the book was lost or destroyed; and that this currency was obtained only from cash they pay and allowances received in this theater, and money lawfully imported into this theater."

The term dollar instrumentalities as used in subject circular and currency exchange control book is interpreted as including money orders, spearhead deposits, treasury checks, et cetera, made out to oneself or bearer.

It is desired that commanders of all echelons give their personal attention to the dissemination of the foregoing and take appropriate steps to insure compliance therewith.

Originator: G-1.

Authentication: T. YOUNG, COL.

Information: SGS; Theater Service Forces, Main; Summary, all General and Staff Divisions. Added distribution: IG, 5/11/45.  
Added dist: AG, 06 NOV. 45.

## INSTRUCTIONS

ALL AMOUNTS WILL BE EXPRESSED IN DOLLARS

- Col. 1. Enter date of transaction.  
 Col. 2. Enter brief description of transaction: PTA; SD (soldier's deposit); EX (exchange-conversation); MO (money order); WB (war bond); IMP (importation); SPD (*Spearhead Dep*)  
 Col. 3. Enter dollar equivalent of net pay and allowances or importations received in German or Austrian currency and/or dollar equivalent of other European currency converted into German or Austrian currency.  
 Col. 4. Enter dollar equivalent of funds in German or Austrian currency, transmitted outside the theater or exchanged for other European currency, or *conv into dol instru.*  
 Col. 5. Enter sum of preceding balance plus column 3 and minus column 4.  
 Col. 6. Enter dollar equivalent of net pay and allowances or importations received in other than German or Austrian currency and/or dollar equivalent of other European currency converted from German or Austrian currency.  
 Col. 7. Enter dollar equivalent of funds in other than German or Austrian currency, transmitted outside the theater or exchanged for German or Austrian currency or *conv into dol inst.*  
 Col. 8. Enter sum of preceding balance plus column 6 and minus column 7.  
 Col. 9. Initials or stamp of finance officer, agent officer, cashier, or other authorized person making entry.

NOTE: The last entry in column 5 or 8 represents the maximum amount which may be transmitted or exchanged from the currency concerned.

DETAILED INSTRUCTIONS CONCERNING THIS CURRENCY EXCHANGE CONTROL BOOK ARE CONTAINED IN CIRCULAR NO. 139, HQ, USFET, DATED 10 OCTOBER 1945. NOTE PARTICULARLY PAR. 13B THEREOF.

## CURRENCY EXCHANGE CONTROL BOOK

NAME -----  
 (Last) (First) (MI.) (ASN) (Grade) (Orgn.)  
 (All amounts will be expressed in dollars)

Net cash pay drawn by me in the past three months \$ -----  
 Less amounts transmitted outside this Theater or *conv into dol inst.* \$ -----  
 BALANCE \$ -----  
 Cash and bank deposits in my possession in this Theater in *European* currency derived only as per following certificate \$ -----

I (certify) (solemnly swear) (affirm) that the amounts stated above are true and correct as of ----- and that the amount of cash pay and bank deposits  
 (Date)  
 stated above were derived only from net cash pay and allowances drawn by me plus funds lawfully brought into this Theater by me.

-----  
 (Signature)

Subscribed and sworn to before  
 me this day of 194

-----  
 (Signature, Grade and Capacity of Officer  
 Administering Oath)

The foregoing initial \*balance declaration of ----- dollars  
 is approved.

-----  
 (Date)

-----  
 (Signature, Grade, and Orgn. of Approving Officer)

\*Strike out words not applicable.

[Matter in italic type was typewritten into form to show additions.]

## DISTRIBUTION OF CURRENCY EXCHANGE CONTROL BOOKS

Hqs ASF, OPD, Fiscal Control  
Branch FFA Section, SPFBC  
6053 Capt John H. Neill, Jr.  
5 DECEMBER 1945.

COMGENUSFET Main Frankfurt, Germany.

Number' WAR 87028.

ETGAP signed SERVVIS SPFBC reurad S 33444.

With reference your S 33444 and our WAR 85985 information requested earliest as to date on which distribution of currency exchange control books was completed in European Theater. This information will be incorporated in radio to all Service Commands and Overseas Theaters relative to acceptance of European Theater currencies for exchange as follows: "If the individual states that he was not issued a currency exchange control book while stationed in the European Theater he should establish in sworn affidavit that he departed from the European Theater prior to \_\_\_\_\_ (date on which distribution of currency exchange control books completed) and that no currency exchange control book was ever in his possession." Your comment or concurrence relative this provision requested.

End

Originator: ASF-Fisc.

Information: Bud Div.

## DISTRIBUTION OF CURRENCY EXCHANGE CONTROL BOOKS

12 DECEMBER 1945.

From: CG USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 34655.

Ref no S 34655 from USFET Main to AGWAR signed McNarney cite ETGAP.

Reured W 87028 distribution of currency exchange control books substantially complete to all troops this theater 20 Nov 1945. Distribution complete to all troops leaving theater on and after 20 Nov 45. Concur in your proposal.

Associated subject. Reinforcements arriving this theater with large sums US currency causing difficult exchange problem at reinforcement depots. It is believed dollars being exchanged for merchandise and foreign currency outside of Army facilities. Request you give consideration to currency exchange and issue of currency exchange control books or proper certificate prior to embarkation of all persons destined this theater and advise this Headquarters of feasibility. Adoption of such plan would aid in prevention of flow of US currency into foreign currency black market.

End

Action: ASF.

Info.: Bud Div.

## RECAPITULATION OF VARIOUS ITEMS HANDLED TO DATE IN THE ETO

## EXTRACT

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
G-1 DIVISION,  
(Main), APO 757, 5 December 1945.

Memorandum for: The Budget Officer for the War Department.

5. *Foreign Exchange Control*: a. Have already had long and exhaustive consultations with the following on the above subject:

In Frankfurt—the Chief of Staff, General Bedell Smith; The A C of S, G-1, General Bevans; Colonel Young and members of his Special Activities Branch of G-1, USFET; Colonel Stagliano, Deputy Fiscal Director, TSFET and members of his staff (General Cobbs has been out of town and is not expected until the end of the week).

In Berlin—The Chief of Staff of the Office of Military Government, U. S., for Germany, General Milburn; Secretary of the General Staff, Colonel Marcus, formerly chief planner in CAD; the U. S. Secretary of the Allied Control Authority Quadripart Secretariat, Colonel Gerhardt, formerly executive officer to the ASW; Mr. Joseph M. Dodge, Colonel David Robinson and Mr. A. U. Fox, director and deputy directors of the Finance Division of OMGUS; Major Buckingham, Senior Army Disbursing Officer in Berlin.

b. In addition to the above, I have many informal talks with officers and enlisted men concerning Foreign Exchange Control. I do not believe that the system is entirely satisfactory, but, as result of the various meetings described in the proceeding subparagraph, various changes will be made in the Theater circular so as to plug up loop holes which have been developed, as well as to correct certain administrative gaps. A typical example: I have been in the Theater now for nine days and still have no Foreign Exchange Control Card. This is not too serious in as much as I could presumably remain in the Theater indefinitely without a card so long as I did not wish to remit money out of the Theater. Never the less, it does not seem right for anyone to be in the area without a card, even if only for the purpose of controlling exchanges from one currency to another, without remittances being involved. I have made seven concrete proposals to Colonel Young in the G-1 here, and they are working on these at the present time.

c. The black market in commodities and currency, and the evasions of Foreign Exchange Control thrives principally in Berlin the rest of the U. S. occupied zone does not seem to be as badly affected. For the months of August, September and October the following information is of interest:

## BERLIN DISTRICT.

	Disbursements (Pay and Allowances)	Collections (From Troops)
August-----	\$3, 277, 443. 46	\$3, 458, 987. 15
September-----	2, 395, 617. 42	8, 798, 027. 00
October-----	2, 570, 921. 32	8, 226, 461. 73

(These figures do not include one Air Force unit on duty in Berlin) It should be borne in mind that October was the one full month during which almost no control was in force in the Theater.

d. The general activities in black market and evasions of currency restrictions now in force are taking shape as methods which are highly ingenious, but do *not* affect the appropriated dollars of any branch of the Government. For example, many soldiers are purchasing small articles of high intrinsic value in the U. S., which can be easily carried on the person or in the baggage of redeployees and are readily marketable in the U. S.; this tends to strip the German economy (or even the French economy if the returnees can get from marks into francs and spend the latter while on leave from the staging area), but otherwise has no very deleterious effects. Incipient redeployees are also purchasing personal "dollar instruments" from personnel remaining in Germany; for example, treasury checks (in which some State, Treasury, etc., employees are paid) can be sold at about thirteen times par value AM Marks and twenty-six times par value in Reich Marks. Likewise, American Express Checks and bank cashier checks can be sold at approximately seven and fourteen times par value, while personal checks sell at two and one-half of five times par value. Some enterprising GI's hit on the scheme of going to the American Military Post Offices in Germany and buying up as many sheets of U. S. stamps as possible, sending same to relatives in the U. S. for return to a post Office in the U. S. In connection with this later, I have pointed out that U. S. postage stamps are certainly "dollar instruments" and any large sale of stamps to an individual should either be forbidden or entered as a charge in the Foreign Exchange Control Card.

#### DISPOSITION OF PRIVATE FUNDS

FDD 131

2 O/FD

AG

7

Enl Sect

Dec

USFET

1945

(Main)

Thru:

G-1

TSFET

and

G-1

USFET

1. The following recommendations concerning the disposition of private funds from the currency standpoint are made:

2. In reference to Par 3 a of CN/1, it is the opinion of this office that valid allied currency may be turned in to a disbursing officer and disposed to the credit of Trust Fund 218881 "Unclaimed monies of individuals whose whereabouts are unknown". As much information as possible concerning the name of the individual should be given to the disbursing officer when the funds are turned in.

3. In regard to Par 3 b of CN/1 where allied currency is found and the complete name and serial number of the individual is known, the currency should be forwarded to the United States after disbursing officers in the United States are cognizant of the exchange rates used in this and other theaters and would be able to make the exchanges under pertinent regulations and forwarding a Treasury check to the individual for the redeemed notes.

4. It is noted in Par. 3 c of CN/1 that instances have arisen where invalid currencies have been found and the complete name of the individual has been lacking. Currency which is assumed to be invalid might be turned in to the Central Disbursing officer (Continent), APO 887, US Army, with the following certification: "Currency

found in United States mails property of an unidentified individual to be held in trust by the United States Government". The Central Disbursing Officer would then attempt to secure redemption of the notes and those notes which could be exchanged for valid currency would be credited to the Trust Fund 218881 mentioned in Par. 1. Notes which could not be redeemed would be returned for destruction.

5. If a policy is to be established, the above suggestions should be incorporated therein.

For the Fiscal Director:

A. S. HINKLE,  
Major, F. D.,  
Currency Officer.

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#### EXCHANGE ALLIED MILITARY MARKS

HQS ASF Fiscal Control Br  
OPD Foreign Fiscal Aff Sect  
SPFBC Capt Neill 6053

10 DECEMBER 1945.

CG USFET Main Frankfurt Germany

Number: WAR 87776

SERVFIS SPFBC

W/re ltr 30 November subj exchange of Allied Mil Marks, problem outlined therein for Western Union Telegraph Co also applies to Radio Corporation of America for both messages and flower transmissions presume it is also applicable to transatlantic telephone facilities now reported being established by US Telephone Co in Germany. Request cabled answer to ltr earliest.

It appears here that mil pers have used and undoubtedly will continue to use Marks ineligible for exchange into dollars for excessive messages telephone calls and flower transmissions therefore if no arrangement has been made to enter value of such service in individual currency exchange control books, thus diminishing Marks available for exchange at Fin O, repurchase by the Army of such Marks accumulated by companies mentioned Para. 1 above will constitute a loss to US Govt of this amt. For your information it is understood here total Mark balances now awaiting transfer are substantial.

End

Originator: ASF Fisc.

Information: OPD, Bud Div.

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#### CURRENCY EXCHANGE

11 DECEMBER 1945.

From: European Division ATC Signed Webster.

To for Action: U. S. Forces European Theater, Main, Attn. Fiscal Director.

Ref. No.: EURD-0417.

Subject is currency exchange.

At present large number of civilians are being transported by this command. These are comprised of State Department employees, foreign nationals and US citizens travelling for commercial concerns

of US on rehabilitation work. None have currency control books. Question is amount of foreign currency control books. Question is amount of foreign currencies that may be converted to US currency when such personnel are en route to US. At present are only converting up to \$10. In AFRICA foreign nationals are authorized to convert up to \$50 and US civilians any amount. Request radio reply outlining your policy in this matter.

Action: G-1.

Information: SGS; G-1; G-3; AG Records.

#### REICHSBANK BRANCHES

12 DECEMBER 1945.

From: OMGUS Berlin, Germany.

To: War Department. Information: CG USFET Main, Frankfurt, Germany.

Nr: CC 20305.

Ref nbr CC 20305 to for action WARCOS info to Office of Military Govt US Zone COTMA Financial Br from Clay.

References are urad W 65848, W 85085 and USFET-S-30765.

Reichsbank no longer has central organization throughout Germany and branches in three zones are now autonomous.

Reichsbank branches no longer exist in Berlin or Soviet Zone. Soviets closed all banks in Berlin area Soviet Zone. Stadtkontorbank is new quadripartite bank in Berlin and Soviets have established new banks in their zone.

Do W 65848 and W 85085 permit Reichsbank Frankfurt to make distribution of German mark currency mentioned to banks in Berlin and in Soviet Zone or is distribution to be limited to Reichsbank branches?

End

Action: CAD.

Info: ASF; OPD; G-2 (State); Adm. King; OAS/W; Bud. Div.

#### ACCEPTANCE FOR EXCHANGE OF ETO CURRENCIES

Hqs, ASF, OFD

Fiscal Control Foreign Fiscal  
Affairs SPFBC 6053

14 DECEMBER 1945.

COMGENSERVC 1, Boston, Mass.; COMGENSERVC 2, Governors Island, N. Y.; COMGENSERVC 3, Baltimore, Md.; COMGENSERVC 4, Atlanta, Ga.; COMGENSERVC 5, Columbus, Ohio; COMGENSERVC 6, Chicago, Ill.; COMGENSERVC 7, Omaha, Nebr.; COMGENSERVC 8, Dallas, Tex.; COMGENSERVC 9, Fort Douglas, Utah; COMGENEASTDEF, Governors Island, N. Y.; COMGENCARIB, Quarry Heights, C. Z.; COMGENSATWATLDTTC, Natal, Brazil; COMGENMED, Caserta, Italy; COMGENAMET, Cairo, Egypt; CONGENIB, New Delhi, India; COMGENCHINA, Shanghai, China; COMGENALASKA, Fort Richardson, Alaska.

CIN Caf PAC.

MC-OUT-29248 (Dec. 45).

Effective upon receipt of this message no European theater currencies should be accepted for exchange outside the European theater except upon presentation of currency exchange control book issued by European theater to all personnel. This book indicates maximum dollar equivalent of foreign currency in possession of individual eligible for conversion into dollars. Effective immediately when a European theater currency is presented for exchange outside the European theater and such currency is not accompanied by a currency exchange control book the individual requesting exchange will be required to execute in addition to other appropriate certificates and/or affidavits a sworn affidavit establishing the reason why he has no such book in his possession. If the individual states that he was not issued a currency exchange control book while stationed in the European theater he should establish in aforementioned sworn affidavit that he departed from the European Theater prior to 20 Nov. 45 and no currency exchange control book was ever in his possession. If the individual states that his currency exchange control book was lost or destroyed he should execute the following sworn affidavit: "I swear (or affirm) that my currency exchange control book has been (lost) (destroyed) and that ----- (amount and type of currency) which I have in my possession does not exceed the balance of my old book in the type of currency involved less amounts exchanged, transmitted or converted into dollar instrumentalities since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in the European theater and money lawfully imported into that theater."

When a disbursing officer outside the European theater makes an authorized exchange of European theater currency if it is determined that the individual requesting exchange has PCS orders from the European theater the disbursing officer should clearly stamp "final payment" on the individual's currency exchange control book and return it to the individual with the instruction that if an enlisted man he should return the book to his personnel officer for attachment and forwarding with his records for future reference. If the individual requesting exchange is an officer he should be instructed to attach or cause to be attached the currency exchange control book to his officers qualification card (WD AGO Form 66-1). If it is determined upon an examination of the individual's orders that he is merely on leave, temporary duty or detached service from the European theater the disbursing officer effecting the exchange should make appropriate notation in the currency exchange control book and return it to the individual to be kept in his possession. Such entries should clearly indicate in column 9 the location of the disbursing officer effecting the exchange. Certificates and/or affidavits prescribed by WD cir 364, 1944 and other current directives continue applicable.

End

Originator: ASF-Fiscal.

Information: CG AAF (ATC); OPD; G-1; G-2; CAD; Navy (Busanda); MDW; Budget Division.

## LIMITATION ON THEATER CURRENCIES

Hq, Army Service Forces  
Office of Fiscal Director  
Fiscal Control Branch  
Foreign Fiscal Affairs Section  
SPFBC 6053 Capt Neill

17 DECEMBER 1945.

Comgenusfet Main, Frankfurt, Germany.

Number: WAR 89049.

COMGENETGAP signed SERVVIS SPFBC reurad S 34655.

With ref para. 2 matter presently under discussion with other interested agencies. It appears here that problem may be solved thru appropriate instructions to all continental US Sea and Aerial Ports of Embarkation directing strict compliance with provisions of Sec 4 WD Cir 159 Series 1945 wherein it is prescribed that Mil Payment Orders will be used for carrying personal funds of personnel leaving US for duty overseas.

New Subject: Request info whether personnel arriving your theater on temporary duty are issued currency exchange control books. *It would appear that unless this or some other type of control limiting amounts of theater currencies that may be converted into dollars or dollar instruments by individuals while in theater on temporary duty is in effect a channel exists for circumvention of present theater currency exchange controls.*

Originator: ASF-Fiscal.

Information: BOWD.

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WORLD WIDE CURRENCY CONTROL BOOK

19 DECEMBER 1945.

From: CG USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 35570.

S 35570 to AGWAR for SERVVIS from USFET Main sgd McNarney cite ETGAP

Reurad W 89049.

Strongly recommend you issue instructions as outlined first paragraph reference cable as interim measure. Adoption of world-wide control book would however be far more effective in solving problems arising from inter theater travel of military personnel both on tdy and pcs. Civilians traveling on military orders or using military facilities should also be subject to same restrictions.

New subject: Same reference

Personnel entering theater on tdy subject to same currency exchange control restrictions as personnel on pcs and are issued control books. In no case are European currencies exchanged for dollars or dollar instruments this theater without control book.

End

Action: ASF.

Info: Budget Division

## CIVILIAN PERSONNEL ASSISTANCE BY WAR DEPARTMENT

Operations Division WDGS  
European Sec WDOPD OPD 350.00  
(17 Dec. 45) Lt Col Ploger  
73590

17 DECEMBER 1945.

CG, USFET, Main, Frankfurt, Germany.

Nr: WAR 89997.

Signed WARCOS personal for Smith from Hull.

The War Dept. continues to receive an increasing number of requests from other governmental agencies to provide travel, billeting, feeding, and other aid for personnel in Europe on nonmilitary missions. The presence of these personnel is necessary for the prosecution of government business (as in cases of WARK 88433 of 12 December and 88935 of 13 December) or for national interest reasons (as in 64713 of 15 September). War Dept. has attempted to limit the commitment for aid as much as possible but finds the task difficult because of:

- (A). Lack of full knowledge of situation throughout theater;
- (B). Realization that certain nonmilitary travel in theater areas is essential;
- (C). Inability to state satisfactory commercial facilities are available in area concerned.

The great pressure to reduce our manpower and financial requirements dictates adoption of the policy that the Army will aid:

(A). Only where suitable commercial facilities cannot be made available;

(B). And then only to the extent possible without requiring military personnel, or the expenditure of WD funds not required for the execution of your normal missions. Without legislation providing both personnel and funds the Army's success in making this policy totally effective is dependent on satisfactory commercial arrangements being made available.

Therefore, request you cable as early as possible your estimate, for each country of your theater of when:

(A). Commercial facilities will be available to care for nonmilitary personnel;

(B). When your withdrawal from area concerned will no longer permit you to care for nonmilitary personnel on a "Space-available, no-augmentation-of-personnel basis";

(C). Any special comments for specific countries such as "Transport available, messing facilities not." In view of complexity of problem you may desire to consult with State Dept. representatives there and send theater representatives here to give detailed information. You may have some suggested course of action for the War Dept. to help resolve the difficulties.

Within Germany and Austria perhaps consideration can be given to plans looking toward early relinquishment by the military of responsibility for handling civilian travelers.

It is felt here that the Army should be relieved of this burden as soon as feasible. Your comments would be appreciated. My reference to civilian travelers does not of course include Army-sponsored civil-

ians such as accredited war correspondents, Red Cross personnel, War Dept. employees, or guests and the like.

This has been passed to the State Dept. here but the matter will not be pressed unless you express general conformity with our views.

End

Originator: OPD.

Information: JC/S, G-2 (State), G-4, CAD, L & L Div, BPR, Bud. Div.

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#### CURRENCY CONTROL BOOKS

To: European Division, Air Transport Command.

From: US Forces European Theater, Main, Signed McNarney.

Ref. No.: SC-8683. CITE: ETGAP. TOO: 171715A.

Reference your cable EURD 0417 dated 11 December 1945.

All persons using Army Exchange facilities this Theater must have Currency Control Book. When conversion is made for miscellaneous personnel arriving in Theater as outlined your cable certificate should be issued as per paragraph 9, Circular 139, current this Hq. by Disbursing Officer making the exchange with instructions to secure book before attempting to make further exchange or conversion. When such personnel are leaving the Theater, conversion should be made by you only for amount shown in book.

Originator: G-1.

Information: Theater Service Forces, Main; SGS; G-3; AG; AG Records.

Authentication: T. H. Young, *Colonel*.

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17 DEC. 1945.

#### BRIEF ON "REACTIONS TO OPERATION OF CURRENCY CONTROL PLAN SUCCESS AND DIFFICULTIES—IMPLICATIONS"

1. The currency control plan was placed in effect on 10 November of this year by virtue of Circular 139, United States Forces, European Theater. Basically the plan, which uses a currency control book, makes necessary an approved initial declaration of foreign currency on hand which must be wholly derived from pay and allowances or by conversion of dollar instruments received from the United States. Thereafter finance officers and other authorized agencies are required to post and authenticate additional amounts of foreign currencies paid out to book holders, and make entries reducing the free balance when funds are transmitted to the United States as dollars. In this way it is expected that the book holder will be unable to transmit to the United States amounts totalling in excess of legally acquired foreign currencies.

2. *Reactions* of personnel in the theater have been various. There appears to be widespread appreciation of the purpose and justification of the control plan because of heretofore published black market activities with property and funds. About one million Currency Control Cards have been distributed in the theater and it may be said that, on the whole, the control plan is operating better than had been antici-

pated. It is obvious that the control book, which requires posting and authentication each time there is an increase or decrease of free balance, means added labor for those charged with making the postings. For those authorized to carry it on their persons it means another document which may be misplaced or lost at the wrong time, with resultant interference with personal affairs. Some complaints have been heard from personnel officers since a very considerable burden devolves upon them after each pay day in posting the thousands of payments made to enlisted personnel. On the other hand finance officers and their cashiers have taken enthusiastically to the control book, regardless of added burden, for the reason that under the prior control system they felt that many questionable currency transactions took place under conditions beyond their control.

3. The War Department is aware that we have adopted the control book and approves heartily, but in certain staff sections of the War Department the impression is strong that the theater was dilatory in arriving at the present solution and there is inclination to blame the theater administration for the excessive dollar transmittals (i. e. of black market money) made during the period preceding the adoption of the control book.

4. Worthy of consideration in connection with *reactions* to the present control system is the attitude of enlisted persons already returned to the United States in cases where the system has resulted in refusal of finance officers to exchange into dollars foreign currencies over and above the free balance indicated on the card. Many enlisted men, and in fact some officers, are unable to understand why transmittal in dollars of foreign funds realized in the black market, in gambling, or as dowry from marriage to foreign nationals, should be prohibited. They cannot understand why the exchange into dollars of foreign funds *however* acquired should result in a charge against the Treasury for which no Congressional appropriation exists. Such individuals take the view that the theater is capricious in imposing controls and that commanders responsible for the control system show no appreciation of the risks and sacrifices encountered by combat personnel in the field. Even Congressional mail inspired by disgruntled returnees has revealed that sort of attitude. An unofficial rumor is occasionally current that the War Department disbursing facilities in the United States may be *compelled*, by public opinion or by Congressional enactment, to cash returnees' foreign currencies which were not accepted for exchange at ports and staging areas in this theater. It is believed that there is little likelihood of developments along this line because dissatisfaction affects fewer people than is supposed. Military personnel now in the theater are reported to recognize the futility of attempting exchange of improperly acquired currency and cases have been reported of such personnel seeking to recover property previously sold at attractive black-market profit.

5. Some weakness in the control system exists. One reported loophole, which is believed to rest on rumor only, is the supposed possession of more than one currency control book by certain individuals. However, it cannot be doubted that eventually a few counterfeit books will put in an appearance. An actual loophole is that personnel coming from the United States with dollars in their possession have been allowed to travel beyond the POE in Europe

before being subjected to the initial declaration incident to issuance of the currency book. G-1, USFET, has taken this detail up with the War Department in a recent cable and suggested issuance of the control book to personnel *before* they leave the United States. A still wider loophole exists in the system in that it does not require posting to the control card of all local cash purchases made from United States retail facilities such as the PX, the QM Sales Store, the mess, etc. The total over a period of a month of these nonposted transactions is considerable and may afford a few bookholders some leeway for slipping illegally acquired foreign currency notes to a finance officer for dollar transmittal. The solution of this problem is difficult. A requirement to have all transactions posted, while it would tighten up the control system, would at the same time create vexation and impair the tempo and convenience of sales operations. It might cause the plan to lose caste and even bog down. The War Department seems aware of this particular loophole without, at least for the present, considering it urgent enough to issue a policy in the matter.

6. The implication of the control plan, in the sense that it is severe in relation to prior plans intended for the same purpose, is that there is realization from the official side that the prevalence of black-market operations required heroic treatment regardless of operational difficulties. It also implies a logical shift of theater emphasis in priority of interests. During the combat phase it was thought that catching up with the enemy in the field and defeating him was the prime and practically single objective; occasional personal profit from traffic in foreign currency or a few objects of private or government property were regarded more or less an incident of field operations. Latterly the accomplished defeat of the enemy and more stringent budgetary measures imposed by Washington have shifted the area of preoccupation to money matters and the tremendous accrued war costs. This cycle is not new; something of the sort has occurred after each of our major wars. At the War Department level the main implication is derived from the fact that the theater control plan has received strong indorsement and, in certain respects, actual sponsorship.

7. My summary impressions may therefore be stated as follows: The plan is reasonably tight. It could be made tighter but only at the expense of irritation to individuals and by adding to the burdens of already overworked finance and personnel officers and others. As of the present there is general acceptance of the plan and recognition of its limitations and justification. The theater may have been somewhat late in its adoption but that is a matter of opinion. In any case the plan operates as a corrective now and for the future; it cannot recapture the considerable volume of black-market dollars realized before the present plan was adopted.

Notes for Staff Conference, Monday, 17 December 1945. Talk by:

F. J. STAGLIANO,  
Colonel, FD,  
Deputy Fiscal Director.

## WESTERN UNION TELEGRAPH FACILITIES

Hq ASF, OFD, Foreign Fiscal  
Affairs Section, SPFBC  
6053, Capt John H. Neill, Jr.  
18 DECEMBER 1945.

COMGENVSFET Main, Frankfurt, Germany.

Number: WAR 89248.

SERVFIS SPFBC reurad S 34896.

W/re to your S 34896 dated 13 December 45, summary of remarks contained in ltr of 30 November referred to in our WAR 87776 follows. There was inclosed w/our ltr a ltr from the Western Union Telegraph Co. stating that during September and October 1945 offices were established at Frankfurt and Nuremberg for the sole purpose of handling telegraph and cable messages for mil pers also that at suggestion of local Mil Authorities offices have been or are in process of being opened at Bremen, Heidelberg, Kassel, Wurzburg, and Munich. From 18 to 30 September gross amt involved aggregated 17161.80 marks. Receipts for October unknown but doubtless considerably more than previous month. Western Union requests that tolls on traffic filed in Germany be converted into US Dollars and sent direct to Washington or New York office; it is further stated no telegraphic money order business was involved. Our ltr of 30 November requested your comments and recommendations in regard to foregoing specifically (1) The advisability of arranging for the Army to exchange and transmit to the US from a blocked country the foreign currency of a private concern. (2) The practical controls that could be established for all Western Union Telegraph Offices established or proposed in Germany to insure that the currency presented for exchange by the company was acquired from US OFL sources. (3) The method to be used in transmitting such funds to the US.

End

S 34896 is CM-IN-4406 (15 Dec. 45).

Originator: ASF-Fisc.

Information: OPD; Budget Division.

## MOVEMENTS OF DEPENDENTS TO US

Office Chief of Transportation  
Movements Division  
Capt Wm. Drew 72778

CG, USFET, Main, Frankfurt, Germany.

CG, USFET, Rear, Paris, France.

CG, New York Port of Embarkation.

WARX 90020

Cite SPTOM-DH 354 signed WARCOS.

Procedures following implementing WD Circular 245 will be carried out by theater commander for purpose of controlling movements of dependents to the US as heretofore indicated in WARX 89752 of 21 December.

(1) Furnish by air mail to commanding general port of destination to arrive three weeks prior to estimated time of arrival of vessel in US 6 copies of tentative list of dependents to be embarked. This list to indicate Name, Age, Sex, and Nationality of dependent: Name, Rank, Serial Number, and Service (Army, Navy, Marine or Coast Guard) of personnel for whose dependents transportation is authorized and exact address in the US to which transportation is desired. Also furnish name of person residing at the US address if different from that of person requesting transportation for said dependent.

(2) Issue orders for each Army dependent to include approximate date of departure, name of dependent, name and age of children, US destination, procurement authority and baggage allowance (200 pounds each adult, 50 pounds each child).

(3) Unaccompanied and accompanied baggage (hold and hand) will be inspected in overseas theater as prescribed for Army personnel in AG letter AG 524 (13 Aug 45) OB-S-D-M., Subject: "Processing of Baggage" except as changed as follows: Address of person of whose family owner is dependent member. Data will be indicated by owner on tag (incl. — to AG letter mentioned above) and certificate of retention and customs declaration (Incl. 10) and both signed by owner. Owner of prohibited articles withdrawn pursuant to Para. 23 is required to dispose of them prior to departure from station where inspected. Inspecting officer's certificate for accompanied baggage will be in form outlined in Incl. 11 with inclusion of data above and for unaccompanied baggage in form prescribed in Para. 26 except that in Para. 26 B insert "Dependents of" before "Members of the Armed Forces." Blanket customs declarations will be prepared by transport commander as prescribed in Para. 30 except that in Incl. 15 insert "Dependents of" before "Members of the Armed Forces of the US."

(4) Insure that each piece of baggage has large stencil or sticker indication first letter of dependent's last name.

(5) Make available facilities for conversion of dependent's funds into US currency.

(6) Radio to commanding general port of destination giving distribution by hold number of hold baggage, showing number of pieces and approximate total weight.

(7) Send no later than 24 hours after departure of vessel embarkation message containing additions and deletions to original list of (1) above and identifying dependents not wanting government transportation beyond port here.

End

Originator: ASF-Trans.

#### TRAVEL OF DEPENDENTS

14 JANUARY 1946.

From: CG USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 37789.

Signed Magruder cite SOFDD S 37789 from Hq TSFET, Main, for action COMGENSERVFOR.

Travel of dependents, referred to in urad WX 90020 particularly Para. 5 is subject.

Information US requested whether it is intended that United States will convert foreign fund assets of dependents to dollars. This theater has no present authority to make such conversion. Theater procedures pursuant to War Department desires confine exchange privilege to Military, employed and associated personnel, of United States whose foreign funds were derived from pay and allowances disbursed from appropriated funds, or from cashing of dollar instruments.

It is believed that authority should issue at government level to permit exchange of foreign funds assets of civilian dependents of military personnel and that both maximum amount of exchange and accounting controls, if any, should be prescribed. It is further believed that State and Treasury Departments have a prior interest and responsibility in these matters.

In order for this theater to make available within scope of its present authority facilities for fund conversion to dependents following plan is suggested.

"It is proposed to establish a plan in two parts.

"Part 1 dealing with dependents of members of Armed Forces where officer or enlisted man has returned to United States, and part 2 where officer or enlisted man is still present for duty in this theater.

"Part 1. A. Officers or enlisted personnel who have returned to United States may be authorized to draw from finance officers in United States a military payment order made payable to dependents residing in this theater and transmit said military payment order authorized by War Department Circular 159, dated 31 May 1945, to dependent in theater.

"B. (1) Dependents concerned would be issued currency exchange control book and be included in new provisions of Circular 139, Headquarters USFET (dated 10 October 1945), governing issue of such books. Dependents would then be authorized to have entered in these books (by Army Disbursing Officers) allotments received from US and in addition amount transmitted by means of Mil payment order.

"(2) Upon presentation of proper travel warrants at port of embarkation dependent will then be authorized to exchange for dollars amount stated on currency exchange control book.

"Part 2. A. Officers and enlisted personnel who are still in theater would be authorized to make spearhead deposits payable to dependents concerned in theater and in same manner as indicated in sub Para. B (1) and (2) above, amount of spearhead deposit would be entered in currency exchange control book and dependents concerned upon proper identification and travel warrants would be authorized to secure United States dollars to pay for necessary expenses of travel to United States."

Advise whether plan in preceding Para. 2 is satisfactory so theater directive may issue accordingly. Advise soonest also your conclusions and instructions be the related matter in preceding Para. 1.

End

Action: ASF.  
Info: OPD.  
MC-IN-3209  
(15 Jan. 46.)

## CURRENCY EXCHANGE CONTROL BOOKS

Hq ASF, OFD, Fiscal Control  
Br. FFA Sec., SPFBC 72689,  
Capt. J. D. Massey

23 JANUARY 1946.

CG, USFET, Main, Frankfurt, Germany.

Number: WAR 94361.

COMGENUSFET signed SERVVIS SPFBC reurad S 37789 and reourad WAR 93697.

It is the view of this Hqs. that currency exchange control books should be issued only to those dependents who have official authorization for govt. transportation to the US and that entries of allotments should be made only upon presentation of the actual allotment checks, as entries for allotment checks that have been previously cashed are not contemplated.

End

Originator: ASF-Fisc.

Distribution: ASF-Trans, OPD, Budget Division.

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FUND CONVERSION DEPENDENTS OF MILITARY PERSONNEL

WDSS, Bud. Div., WDSBU  
Lt. Col. Feyereisen

18 JANUARY 1946.

CG TSFET Main, Frankfurt, Germany.

Number WAR 93697.

COMGENTSFET for action COMGENUSFET for info signed WARBUD reurad S 37789.

## PART A

Concurrence, with restrictions indicated below, is given your plan to make available facilities for fund conversion to dependents of military personnel.

2. As spearhead deposit plan outlined in part 2 of your plan will pertain only to European Theater, establishment and effectuation of such a procedure is considered your responsibility. Control should be adequate to prevent transfer of funds received from other than official sources.

3. To implement part 1 of your plan this headquarters will instruct all disbursing officers outside European Theater to provide on request 1 military payment order not in excess of \$200 to a member, or a former member upon presentation of adequate identification, of United States Armed Forces who wishes to transmit funds to his dependents in overseas areas for specific purpose of financing incidental traveling costs of trip to the United States.

4. Notification of this procedure should be provided in such a form to dependents that they may relay information to military personnel

concerned and thus implement the procedure with least possible element of error or delay. The Disbursing Officers on cashing such a military payment order should indicate on currency exchange control book that the 1 military payment order allowed for traveling costs has been entered.

PART B

5. However, wish point out that in view of short time available, implementation such plans not feasible for early departure. Furthermore, it provides no medium for exchange of sterling, French francs, or lira belonging to foreign born dependent of military personnel.

6. It is urged, therefore, that in conjunction United States Treasury and Embassy Representatives in countries concerned, immediate action be taken to achieve the following. In this connection, this matter is considered of sufficient urgency for Ambassador to make personal representation if deemed necessary.

A. Foreign countries concerned should be requested to establish adequate temporary banking facilities at ports of embarkation to provide dollars against local currency in accordance with regulations to Nationals departing for United States under appropriate authority. It is believed establishment such facilities will involve in most cases simply notifying local branch bank through proper channels of approximate number of personnel to be embarked, and amounts of currency to be exchanged so that adequate bank personnel, and the United States dollars, will be available locally. Clearance must also be made with Central Exchange Control authorities in order simplify technicalities at issue and expedite handling. This should be done immediately.

B. Request should also be made to governments concerned to make available amount of United States dollars larger than that ordinarily available in exchange for local currency to Nationals departing to United States, such increase to be only applicable to cases at issue. Specifically reference England, it is not known here what sum sterling is permitted for exchange English Nationals departing from England under these circumstances. It is understood, however, that Chancellor of Exchequer in recent statement said that any family permanently migrating from England would be permitted to withdraw up to 5,000 pounds in foreign currency over a period of 4 years. Although it is possible governments concerned may grant light increase at once, it is expected basic problem is a longer term one involving relaxing capital export restrictions for one particular group. Request you inform us results your arrangements. State and Treasury concur in above.

End

Originator: Bud Div.

Distribution: ASF-Fis-Trans; OPD.

## CURRENCY EXCHANGE CONTROL BOOKS

## 1. SERSAC

G-1

17 Dec. 1945.

1. General Lee at the conference today, directed that Currency Control Books be given the same protection as is given blank Treasury checks.

2. Consult the Fiscal Officer as to the method of issuing instructions.  
TRP/re/3480

/s/ T. R. PHILLIPS  
Brig. Gen. GSC  
A C of S, G-1

## 2. OFD TSFET.

G-1 TSFET Main

18 Dec. 1945.

For comment and recommendation.

L. E. Jacoby  
/s/ L. E. JACOBY  
Col, GSO  
Chief SERSAC Branch

## 3 G-1 TSFET

OFD TSFET Main APO 757.

22 Dec. 1945.

1. This office was informed by G-1, USFET, that distribution of the Currency Exchange Control Book was made by the Adjutant General of Hqs. USFET, through normal distribution channels.

2. The Control and protection of U. S. Treasury checks is accomplished by serially numbering these checks and issuing them on an accountable basis to each disbursing officer.

3. Recommendation is made that in order to give similar protection (except for serial numbering) afforded U. S. Treasury checks, to the Currency Exchange Control Book, the issuing agency should:

a. Keep the books under lock and key when not in use.

b. The issuing agency should charge them out to the individual receipting for the books.

c. The agency finally issuing the currency book, to the individual should be charged with keeping records of books issued to individuals.

For the Fiscal Director:

A. S. HINKLE  
Major, FD  
Currency Division

Telephone: Frankfurt 33211.

## 5. OFD TSFET (Main) APO 757.

AG USFET thru: G-1 USFET (Main) APO 757.

12 January 1946.

1. Pursuant to conversation this date between Major Donetti of this office and Major Potts (G-1, USFET), it is requested that the following actions be taken:

a. AG to forward 200,000 Currency Exchange Control Books (Form ACPD-1352-10-45) (32482) by air priority to the Commanding General, New York Port of Embarkation.

b. The AG to inclose with the consignment of Currency Exchange Control Books above mentioned, a letter to the Commanding General, New York Port of Embarkation containing substantially the following:

1. There is under discussion between this theater and the War Department a procedure intended to curtail misuse of United States dollars by new personnel arriving at ports in this theater from the United States, because it has been impossible for dollars to be taken up from new arrivals immediately upon debarking in this theater. On 10 November 1945 this theater placed in effect rigid currency control regulations as evidenced by the inclosed Cir. 139, Hq. United States Forces, European Theater, dated 10 October 1945.

2. Pending issuance of formal War Department instructions on currency control mechanisms to be exercised in the instance of personnel embarking from a United States port en route to this theater in consequence of negotiations above referred to, it is requested that you lend your cooperation to an interim procedure as follows:

a. The Adjutant General at the New York Port of Embarkation to place in stock the 200,000 Currency Exchange Control Books here under consignment.

b. Currency Exchange Control Books to be placed in secure custody and issuance thereof to be controlled in such a way that only *one* Currency Exchange Control Book will be issued for each embarkee (officer, enlisted person or civilian).

c. Currency Exchange Control Books for persons in the movement, excluding general officers, to be issued in bulk to the commanding officer of troops prior to departure of each transport.

d. Commanding officer of troops to be required to instruct his personnel section to make initial entries in the books as follows after departure from the port:

*On the face of the Currency Exchange Control Book:* enter name (and serial number and grade where appropriate) of the person for whom the book is intended; change the line immediately below the *name* line reading "Net Cash Pay Drawn by Me \* \* \*" to "Dollars imported"; place on the line so modified the actual dollars and cents which the individual is able to certify, orally or in writing as may be necessary, to have in his personal possession upon departure from the port; require individual from whom declaration has been taken to enter his signature and rank on the signature line above the words "Subscribed and sworn to \* \* \*"; require personnel officer or similar officer who has taken the foregoing declaration to enter *date* thereof, and his signature, on the signature line at the bottom of the face of the book; books initiated as above described to be retained on his person and shown to a finance officer in this theater before *any* exchange of dollars in his possession to foreign currencies will be made.

e. Upon arrival at a permanent or semi-permanent station in this theater where finance facilities are adequate for the purpose, currency exchange will be made under controlled conditions which

will facilitate the taking up by personnel officers of the book as required in Par. 7b of the theater circular attached.

"3: Upon receipt of the bulk Currency Exchange Control Books here consigned and promulgation of port instructions substantially in accordance with the foregoing, it is further requested that cable acknowledgement, including date when instructions will take effect, be given this theater."

For the Fiscal Director.

F. J. STAGLIANO,  
*Colonel, FD,*  
*Deputy*

Telephone: Frankfurt 33234.

C-376

21 DECEMBER 1945.

### CURRENCY EXCHANGE CONTROL

1. G-1 USFET MAIN.  
JA, OFD, G-4 (in turn).  
21 Dec. 1945.

SA/L&Fis/RCP/sr

1. In order to implement currency exchange control and to reduce the variance between amount authorized by control book to be converted to US currency and cash actually in possession it is deemed advisable to provide a method of reducing balance available where foreign currency is expended for local purchases.

2. Your comments are requested in the following proposed plan:

Payment for all purchases in Army Exchanges, Quartermaster Clothing Stores, Commissaries or any other government-operated agency making sales to military personnel within the theater wherein the total cost exceeds ten dollars will be rendered in the form of money orders or treasury checks.

Where payment is made on a monthly basis such payment will be considered as if for a single purchase and will be by money order or treasury check.

However, payments may be made to the nearest multiple of five dollars by such instrumentalities and the balance if any by local currency.

For the A C of S, G-1.

P. W. BROWN,  
*Col., FA,*  
*Chief, Special Activities Branch.*

Frankfurt 21185.

C-377  
AAS/21929

No. 2.

From: JA USFET (Main).

To: OFD WSFET G-4 USFET (Main) in turn.

3 Jan. 1946.

1. Attention is invited to the comments in the Notes of Staff Conference, 17 Dec. 1945, Hq. TSFET, pertaining to the subject of this C/N.

2. The plan suggested in the preceding entry of having payments made by money order or treasury check will involve considerable difficulty in that the purchaser usually does not know what he wants or what he will be able to buy or the price when he goes to the PX, gift stores, or commissaries. Frequently the item desired is not immediately available and the prospective purchaser would have to obtain and take with him money orders or treasury checks when he goes to see if there is any item that he desires to purchase. The increased purchase of money orders and treasury checks would burden facilities already overtaxed. It would hardly be practicable to have the purchases paid for in cash and a deduction made on the currency control book at the time of the purchase. The currency control books of EM are retained by their hq and the present difficulty arising from this would substantially be increased. Also, the cashiers at most of the places where purchases are made are German civilians who probably would be unable to make the appropriate entries, if authorized to do so.

3. The present system appears to be working fairly satisfactory and the increased difficulties of the proposed plan would in the opinion of this division outweigh its advantages.

For C. B. M.

3. OFD TSFET MAIN APO 757.

G-4 USFET thru: G-4 TSFET.

7 Jan. 1946.

Concur in substance of Minute 2 with following exception:

Purchases at QM Sales Store, PX Gift Shop, liquor store (or of liquor ration coupon books) exceeding \$5 to be entered in currency control book; payment to be in *cash* rather than by postal money order.

R. A. KOCH

Colonel, FD

Acting Fiscal Director

Tel: Frankfurt 33256.

C-378

C/N 2 this office. 7 January 46.

C/N 3 From CG to OFD through G-1.

1. Take immediate action to arrange as an interim measure that our currency control books be placed on board ship prior to departure from the US and arrangements made for the preparation during the voyage, so that a man leaving his ship, upon arrival in the theater will have with him a properly initialed currency control book.

2. This action will be taken without awaiting for any further action by the War Department upon our previous cables.

(s) CARTER B. MAGRUDER

CARTER B. MAGRUDER

Major General

4. G-1 TSFET (Main) APO-757.

OFD TSFET (Main) APO 757.

10 Jan 1946.

BL/rap

1. Attention is invited to C/N 3 above. Request coordination be effected with G-1, USFET in accomplishing this action.

T. R. PHILLIPS

Brig. Gen. GSC

AC of S, G-1

Tel: Frankfurt 31907.

## CONVERSION OF FOREIGN CURRENCIES BY U. S. DEPENDENTS

INTERNAL ROUTE SLIP, HEADQUARTERS, U. S. FORCES, EUROPEAN THEATER

DATE: 27 December 1945.

HAS THIS PAPER BEEN COORDINATED WITH ALL CONCERNED?

No. 1

From: C/S

Pass to: Fis Dir.

Date: 27 Dec.

1. Reference paragraph 5 of attached cable, WX 90020, dated 23 December, from AGWAR, it appears to me that this paragraph indicates a conversion of currency which is completely at variance with our present system of preventing exchange of foreign currencies for U. S. dollars.

2. Since dependents do not have currency control books, anyone desiring to convert foreign currencies into the much more valuable American dollars can do so by turning over funds to one of these dependents. The situation will grow gradually worse as more wives from France and doubtless eventually from Germany will be leaving for the United States.

3. Investigate this matter, and if appropriate furnish recommendations in the form of a draft of a cable to AGWAR.

(s/t) CARTER B. MAGRUDER,  
Major General, USA  
Chief of Staff.

1 Incl:

Msg WX-90020, 23 Dec 45.

CBM/elh

No. 2.

From: OFD TSFET (Main).

Pass to: C/S TSFET (Main).

Date: 2 Jan. 1946

1. With reference to Par. 3 of C/N 1 the following draft of a cable to AGWAR is presented for consideration, subject to recommended coordination with G-1 USFET:

"Reference is made to your WX-90020, Par. 5.

"In order to make facilities available for conversion of dependents funds into United States currency following plan is suggested:

"It is proposed to establish a plan in two parts. Part one dealing with dependents of members of Armed Forces where officer or enlisted man has returned to United States and part two where officer or enlisted man is still present for duty in this theater.

## PART 1

"a. Officers or enlisted personnel who have returned to United States may be authorized to draw from Finance Officers in United States a Military Payment Order made payable to dependent residing in this theater and transmit said Military Payment Order authorized by War Department Cir. 159, dated 31 May 1945, to dependent in theater.

"b. (1) Dependents concerned would be issued Currency Exchange Control book and be included in new provisions of Cir. 139, Hqs, USFET (dated 10 October 1945) governing issue of such books. Dependents would then be authorized to have entered in these books (by Army disbursing officers) allotments received from United States and in addition, amount transmitted by means of Military Payment Order.

"(2) Upon presentation of proper travel warrants at Port of Embarkation dependent will then be authorized to exchange for dollars, amount stated on Currency Exchange Control book.

## PART II

"a. Officers and enlisted personnel who are still in theater would be authorized to make Spearhead Deposits payable to dependents concerned in theater; and in same manner as indicated in b (1) and (2) shown above amount of Spearhead Deposit would be entered in Currency Exchange Control book and dependents concerned, upon proper identification and travel warrants, would be authorized to secure United States dollars to pay for necessary expenses of travel to United States."

2. Advise whether foregoing is satisfactory so theater directives may be issued accordingly.

(s/t) R. A. KOCH  
Colonel, F. D.  
Acting Fiscal Director

Incl: n/c.  
Frankfurt 33256.

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CAD Operations Div., WDGS  
OPD 311.23 CAD 73766 Lt Col  
Hilliard

4 JANUARY 1946.

## CONVERSATIONS OF COL. PFORZHEIMER

OMGUS, Berlin, Germany.

Information: CG, USFET, Main, Frankfurt, Germany.

Number: WARCX 91447.

Signed WARCAD reurad Nov S 30815 reourad WAR 70763.

Advice requested as to results of conversations with you of Col Pforzheimer Budget Div WD now on TDY USFET concerning need if any for printing in United States of further supplies Am mark currency notes. Reurad Nov S 30815 reourad Sep WAR 70763. For your info situation in United States relative to availability currency production facilities is such that no assurance can be given that such facilities can be secured at present for printing above mentioned currency notes. Estimated that, if it were possible to make arrangements for such production facilities, at least 4 mos after date such arrangements would be required before delivery above mentioned currency notes in volume could be made to theater. Originator: CAD.

Information: ASF-Fisc; G-2 (State); CAD (Treas); Bud Div;  
Mr. Petersen.

## PRINTING OF AM MARKS

7 JANUARY 1946.

From: Office of Military Government for Germany, Berlin, Germany.  
 To: War Department.  
 Nr: CC 21273.

To for action AGWAR for WARCAD from OMGUS signed Clay ref no CC-21273 to for info OMS-US Zone Finance Division

Reurad W-91447 information regarding printing additional Allied military mark currency notes will be forwarded after receipt of reply to our cable CC-20305 to WARCOS and further discussions on quadripartite basis. An early reply to our cable is requested.

End

Action: CAD.

Info: ASF; G-2 (State); CAD (Treasury); Budget Division, Mr. Petersen.

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 ISSUE OF CURRENCY CONTROL BOOKS

4 JAN. 1946.

## 1. CG, Fiscal, 4 Jan.

Are currency control books now being issued to troops prior to their arrival in this theater, in accordance with our recent request to the War Department?

(s) Carter B. Magruder,  
 (t) CARTER B. MAGRUDER,  
*Major General, U. S. A.*

## 2. OFD TSFET Main APO 757, CG TSFET Main APO 757, 7 Jan. 1946.

1. Cable, reference number S-34655 was dispatched from Hq. USFET by G-1 on 12 December 1945. This cable requests War Department give consideration to issuing the Currency Exchange Control Book outlined in Cir 139, Hq. USFET dated 10 October 1945 or certificates, and the issuance of the currency concerned for this theater prior to embarkation of all individuals.

2. Fiscal Director, Washington replied with cable W-89049 on the 18 December 1945. In this cable it was stated that the problem *Solution offered* by Fiscal Director, Washington to problem was that all individuals coming into the theater would be issued Military Payment Orders under the provisions of Sec 4 WD Cir 159 series 1945 to carry personal funds into the theater prior to embarkation. Military Payment Order is similar to U. S. Treasury Check however Military Payment Order contains provision that negotiability is limited to "transactions between United States military disbursing officers and the original person to whom issued, thus precluding this United States dollar payment order from getting into the hand of unauthorized personnel."

3. Cable No. S-35570 dated 19 December 1945 sent by G-1 USFET replied to cable W-89049 and recommended that immediate step be taken to put in effect solution offered, of issuing the Military Payment

Order. Suggestion was made that world wide control book would be more effective in solving the problem arising from inter theater travel of military personnel on TDY and PCS.

R. A. KOCH,

*Colonel, FD, Acting Fiscal Director.*

Tel.: Frankfurt 33256.

CONVERSION OF FOREIGN CURRENCIES BY U. S. DEPENDENTS

5 JANUARY 1946.

3 CG OFD 5 Jan.

1. Your cable to the War Department does not seem to me to accent the basic problems, which is does or does not the United States intend to exchange U. S. dollars for local currency for the benefit of the dependents of military personnel being moved to the United States. An affirmative answer is indicated by the attached cable. A negative answer is indicated by all procedures so far in the operation of the currency control plan.

2. If the cable is sent in the way you propose it, the War Department may miss the point. I should prefer to ask them the basic question flatly.

(s) Carter B. Magruder,

(t) CARTER B. MAGRUDER,

*Major General, U. S. A.*

CBM/elh.

4 OFD CG 10 TSFET Jan 46.

It is recognized that Par. 5 of the AGWAR cable attached may be construed to include conversion of both (a) foreign fund assets of dependents which cannot be conveniently, if at all, proved to have had origin in pay and allowances of military personnel or conversion by them of dollar instruments, and (b) funds of such dependents which, through application of military controls, can be *directly* attributed to appropriated fund sources to establish entitlement to the conversion privilege. At this time it is not considered that the theater has the authority to provide *general* exchange facilities, which would be analogous to a free commercial-type commercial exchange; however, the theater does have authority to provide a type of exchange facility which ties in with the theater program and is no less restrictive. Accordingly, it is believed that the attached proposed cable to AGWAR reflects the maximum implementation which the theater is presently able to devise in response to Par. 5 of the AGWAR cable.

(s) R. A. Koch,

(t) R. A. KOCH,

*Colonel, F. D., Acting Fiscal Director.*

Incl: n/c. Added—Cable to AGWAR.

Telephone: Frankfurt 33256.

5 CG OFD TSFET 13 Jan.

Approved.

C. B. M.

No. 6. From OFD TSFET MAIN APO 757. To SMC TSFET MAIN.

Date, 14 Jan 1946.

1. For transmission.
2. Return all carrier notes to this office after transmission.  
For the Fiscal Director:

(s) F. J. Stagliano,  
(t) F. J. STAGLIANO,  
Colonel, FD., Deputy.

Tel.: Frankfurt 33234. Incls: n/c.

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REQUEST FOR REPLY

ASF OFD Fiscal Control Br  
FEA Sec SPFBC  
Capt. John H. Neill, Jr., 72689  
4 JANUARY 1946.

CG, USFET, Main, Frankfurt, Germany.

Number WAR 91518.

COMGENUSFET signed SERV FIS SPFBC reourads 87776 and 89248.

This hqs desires reply earliest.

End

A. Exchange of Allied Mil Marks.

B. Western Union Telegraph Service for Mil Personnel.

Originator: ASF-Fisc.

Information: OPD; Budget Division.

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REQUEST FOR INFORMATION

Hq ASF OFD Fiscal Control  
Br FFA Sec SPFBC  
Capt. John H. Neill, Jr. 6053  
4 FEBRUARY 1946.

CG, USFET, Main, Frankfurt, Germany.

Nr: WAR 95849.

COMGENUSFET signed SERV FIS SPFBC reurad S 37646 and ourads 87776, 89248 and 91518.

Theater recommendations urgently requested as final determination in this matter was assured communications companies by 1 Feb on basis your message dtd 12 Jan. Decision in this matter is being withheld pending receipt your recommendations. What controls have been established to insure that marks now being surrendered by mil personnel for messages represent funds acquired from US official sources? Expedite reply please.

End

Originator: ASF Fisc.

Distribution: OPD, Budget Division.

## INFORMATION REQUESTED

7 FEBRUARY 1946.

From: CG, USFET, Main, Frankfurt, Germany.

To: War Department.

No: S. 1163.

Ref. No. S. 1163 from USFET Main to for action AGWAR for SERVVIS signed McNarney cite ETGAP.

Reurad W 91518 and W 95849. Information desired still under consideration this headquarters. Complete information following by courier leaving on or about 12 February.

No control now feasible to insure marks being surrendered by military personnel for messages represent funds acquired from US official sources.

End

Action: ASF.

Info: OPD, Budget Division.

CM-IN-2111 (10 Fed. 46), DTG, 071830A, jjf.

C-389

## REICHSBANK BRANCH OPERATIONS

CAD Operations Div., WDGS.

OPD 311.23 CAD 73766

Lt. Col. Hilliar.

8 JANUARY 1946.

OMGUS, Berlin, Germany.

Information: CG, USFET, Main, Frankfurt, Germany.

Number: WARX 92055.

Signed WARCAD reurad CC 20305 reourads WAR 65848 WAR 85085 WARX 91447.

You are authorized at your discretion to permit Reichsbank Frankfurt to place on deposit with Reichsbank Branches in French, British and United States Zones and with Stadtkontorbank Berlin and with banks in Soviet Zone, reasonable portions German mark currency reurad CC 20305 and reourads WAR 65848 and WAR 85085. You should approach appropriate French British and Soviet authorities to ascertain whether any supplies of currency from this source are desired. In this connection you are authorized inform such authorities situation availability currency production facilities reported WARX 91447. In view possible currency stringency assumed that deposits by Reichsbank Frankfurt above-mentioned currency in bank other zones would be concentrated in banks larger centers.

Originator: CAD.

Information: ASF, OPD, G-2 (State), CAD (Treasury), Budget Division Adm. Nimitz, Mr Petersen.

## CHARACTERISTICS OF MARK CURRENCY

CAD Opns Div WDGS OPD 311  
CAD Maj Shaw 73768

9 JANUARY 1946.

OMGUS Berlin, Germany

Number WAR 92192

Signed WARCAD

Reurads Dec CC 19595 CC 21199 being airmailed to you O/A 9 Jan is statement prepared by United States Treas Dept giving distinctive characteristics of Am mark currency notes printed by Bur Engraving and Printing Treas Dept and serial numbers used by United States and USSR reurads Dec CC 19595 Jan CC 21199. Above-mentioned memo indicates that distinction by Finance Officers between United States and USSR printing not considered possible on basis of design or type face of numbering machines.

End

Originator: CAD.

Information: ASF-Fisc; OPD; Budget Division; Mr Petersen; CAD (Treas).

## CURRENCY EXCHANGE CONTROL

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
(Main) APO 757, 11 January 1946.

AG 121 GAP-AGO

TO: The Adjutant General, Washington 25, D. C.

1. Currency Exchange Control Books were instituted to this theater on 10 November 1945. Although detailed statistics are not available the general information available indicates substantial improvements has resulted from the initiation of this means of currency control. However, the experience of the past two months has indicated that the Currency Control Book presently in use has certain shortcomings which if corrected would add materially to its effectiveness.

2. The following particular features are under consideration for incorporation in a new book for use in this theater:

- a. Printing of the book on tamper-proof or safety paper.
- b. Serially numbering the book and recording the serial number in the individual's service record or on his WDAGO Form 66-1 as appropriate.
- c. Simplification of the form of the book to indicate only the dollar value eligible for conversion without distinction as to the type of foreign currency in which the dollar value is held.
- d. Providing a means of reducing the difference between the dollar value actually held by the individual and the amount actually shown in the Currency Control Book which difference results from minor expenditures within the theater not recorded in the control book. With the present-type book it is not practicable, nor administratively feasible, to have entries accomplished by other than a personnel officer or the equivalent.

3. The traffic between theaters has indicated that to be truly effective, currency control should be established by the War Department

on a world-wide basis. Even the limited traffic between this theater and the Mediterranean Theater has uncovered many opportunities for violations of currency-control measures and created many problems in attempting to seal openings available to potential violators.

4. This theater contemplates revising its Currency Control Book about 1 April 1946, based upon the experience of this headquarters and the recommendations of the Major Subordinate Commanders. However, in order to avoid duplication of effort due to the administrative difficulties involved in publishing and issuing the most desirable type of Currency Control Book, information is requested as to whether the War Department contemplates establishing currency control measures on a world-wide basis and, if so, at what date such a plan will become effective.

5. For your ready reference there is inclosed herewith a copy of Circular 139 and Currency Exchange Control Book as amended.

**FOR THE THEATER COMMANDER:**

L. S. OSTRANDER,  
*Brigadier General, USA, Adjutant General.*

2 Incls

Incl 1—Circular 139.

Incl 2—Currency Exchange Control Book, as amended.

**EXCHANGE OF CURRENCY FOR PRIVATE CONCERNS**

12 JANUARY 1946.

From: CG USFET Main Frankfurt Germany.

To: War Department.

Nr: S 37646.

From USFET Main to for action AGWAR for SERVFIS S 37646 signed McNarney cite ETGAP.

Reurads W-89248 and W-91518. Subject matter yet under consideration this headquarters and recommendation may be expected prior 1 February. Following general principles have been determined and used as guide for final action:

1. Exchange of currency for private concerns is banking service and not properly responsibility of Finance Department.

2. Certain enterprises are necessary to supplement normal Army facilities for accommodation and well being of the troops. Army must necessarily encourage such enterprises.

3. Obvious solution to this incongruity is establishment of commercial banking facilities. However, such is considered not feasible under current conditions.

4. If use of Army Finance facilities is made available to private enterprise it must be restricted solely to businesses operating for benefit of personnel of Army Forces.

5. Such exchange must be closely regulated to prevent circumvention of Currency Exchange Control.

This will necessitate detailed audit of accounts and therefore place additional burden on reduced personnel of Army Finance Service.

6. Other private enterprises similarly concerned are RCA, Mackay Radio, and Press Wireless. These to be recommendations applicable Western Union. American Tel and Tel presents no problem, see our message SC 6004 dated 5 January relayed to you.

End

Action: ASF.

Info: OPD, Bud Div.

# INFORMATION REQUEST

Hq ASF OFD Fiscal Control

Br FFA Sec SPFBC

Capt John H. Neill, Jr 6053

4 FEBRUARY 1946.

CG, USFET, Main, Frankfurt, Germany.

Nr: WAR 95849.

COMGENUSFET signed SERVVIS SPFBC reurad S 37646 and ourads 87776, 89248 and 91518.

Theater recommendations urgently requested as final determination in this matter was assured communications companies by 1 Feb on basis your message dtd. 12 Jan. Decision in this matter is being withheld pending receipt your recommendations. What controls have been established to insure that marks now being surrendered by mil. personnel for messages represent funds acquired from U. S. official sources? Expedite reply please.

End

Originator: ASF Fisc.

Distribution: OPD, Budget Division.

## CURRENCY EXCHANGE CONTROL

SA/AMR/ed

7 JANUARY 1946

1. G-1, USFET, Main.

AG USFET, Main.

7 Jan. 1946.

1. The Chief of Staff directs letter as follows be forwarded to the Adjutant General by fastest means:

"Subject: Currency Exchange Control.

"To: The Adjutant General.

"1. Currency Exchange Control Books were instituted in this theater on 10 November, 1945. Although detailed statistics are not available, the general information available indicates that substantial improvement has resulted from the initiation of this means of currency control. However, the experience of the past two months has indicated that the Currency Control Book presently in use has certain shortcomings which if corrected would add materially to its effectiveness.

"2. The following particular features are under consideration for incorporation in a new book for use in this theater:

"a. Printing of the book on tamper-proof or safety paper.

"b. Serially numbering the book and recording the serial number in the individual's service record or on his WDAGO Form 66-1 as appropriate.

"c. Simplification of the form of the book to indicate only the dollar value eligible for conversion without distinction as to the type of foreign currency in which the dollar value is held.

"d. Providing a means of reducing the difference between the dollar value actually held by the individual and the amount actually shown in the Currency Control Book which difference results from minor expenditures within the theater not recorded in the control book. With the present type book it is not practicable, nor administratively feasible, to have entries accomplished by other than a personnel officer or the equivalent.

"3. The traffic between theaters has indicated that to be truly effective, currency control should be established by the War Department on a world-wide basis. Even the limited traffic between this theater and the Mediterranean theater has uncovered many opportunities for violations of currency control measures and created many problems in attempting to seal openings available to potential violators.

"4. This theater contemplates revising its Currency Control Book about 1 April 1946 based upon the experience of this headquarters and the recommendations of the Major Subordinate Commanders. However, in order to avoid duplication of effort due to the administrative difficulties involved in publishing and issuing the most desirable type of Currency Control Book, information is requested as to whether the War Department contemplates establishing currency control measures on a world-wide basis and, if so, at what date such a plan will become effective.

"5. For your ready reference there is inclosed herewith a copy of Circular 139 and Currency Exchange Control Book as amended."

2. AG to furnish inclosures as per last paragraph of letter.

For the A C of S, G-1.

Incl: a/s.

Frankfurt: 2-1145.

P. W. BROWN,

Colonel, GSC,

Chief, Special Activities Branch.

Subject: Currency Control

Memo for Record: Prior to making any changes in currency exchange control in this theater it is deemed appropriate to consult War Department in its future plans along this line.

(OM) AMR 8 Jan 46

Letter sent to War Dept as AG 121 GAP-AGO on 11 January 1946.  
Subject: Currency Exchange Control.

12 JANUARY 1946.

Payment of U. S. and British Employees residing in France.

SA/L&Fis/RCP/sr

2. G-1, USFET, Main.

G-1, TSFET, Main.

12 Jan. 1946.

1. Effective 1 December 1945 British and American employees concerned are authorized Currency Exchange Control Books.

2. No money paid to such employees prior to 1 December 1945 will be entered on book and book will indicate only those funds received as pay and allowances subsequent to 1 December 1945.

For the AC of S, G-1.

P. W. BROWN,

Col., GSC,

Chief, Special Activities Branch.

Frankfurt 21185

Subject: Currency Exchange Control Books for U. S. and British Civilians Who Are Residents of France.  
Memo for Record: Decision requested by G-1 TSFET as to eligibility of U. S. and British citizens who are residents of France and employed by U. S. Army for currency exchange control books.  
(OM) RCP 12 Jan 46.

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REQUEST FOR AUTHORITY

12 JANUARY 1946.

From: CG USFET, Main, Frankfurt, Germany.

To: War Dep.

Nr: S 37656.

From USFET Main Adjutant General, War Dept for Fiscal Director, ASF repeat for information to office of Military Government for Germany (US) signed McNarney ref nr S 37656 cite ETGEC.

Request authority for Currency Branch, Finance Div OMG (US Zone) to advance Allied military marks to Military Missions of Denmark, Brazil, China, and Czechoslovakia which are accredited to the Allied Control Authority in Berlin.

Advances are to cover pay and expenses of personnel of Missions. Amounts desired have not been stated. It is understood that the governments of these Missions will contract to reimburse the U. S. in U. S. dollars at the rate of RM 10 equals one dollar.

End

Action: ASF.

Info: OPD Budget Division.

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AUTHORIZATION FOR ADVANCE OF MARKS TO U. S. MISSIONS

Civil Affairs Division  
Operations Div, WDGS  
76008 Maj Pumphrey  
12 FEBRUARY 1946

CG USFET Main, Frankfurt, Germany.

Information:

OMGUS Berlin, Germany.

Number: WARX 96781.

Signed WARCOS cite CAD reurad S 37656.

Currency Br Fin Div authorized to advance AM marks to military missions of Denmark, Brazil, Czechoslovakia, and China as temp measure for purposes urad S 37656 provided that govts of mission contract to reimburse the United States upon request in United States dollars for marks so advanced at rate of reichsmarks ten equal one dollar. Subject later cable will be reimbursement method.

End

Originator: CAD.

Distribution: ASF-Fisc, OPD, G-2 (State), CAD (Treasury), Bud Div, Mr. Petersen.

## CURRENCY EXCHANGE CONTROL

From: AGWAR from SERVVIS.

To for action: USFET for EGAP.

REF. NO.: W-96908. 13 Feb. 46. Cite: SPEBC.

Reurad S 1163.

Currency exchange control is subject.

1. Although currency exchange control book is recognized as an important part of over-all currency exchange control policy, serious loophole would appear to exist whereby funds derived by U. S. pers from unauthorized sources may be expended at PX, etc, where conversion of funds into dollars would be ultimately affected. This loophole would appear to increase as commissaries and other additional facilities are established in anticipation of arrival of families of mil pers.

2. It has been suggested here that an appropriate plan to correct this situation might be issuance of books containing coupons eligible for acceptance at PX commissaries, communications companies, etc., for purchase of merchandise and transmission of messages. These books could be procured through appropriate entry in currency exchange control book. Unexpended coupons would be eligible for refund upon permanent departure of individual from Theater with complete understanding that no refunds will be effected outside Theater.

3. Your comments requested re foregoing proposal.

## REVISION CURRENCY CONTROL

12 FEBRUARY 1946

From: CG USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 1632.

S 1632 from USFET, Main, to AGWAR for SERVVIS sgd McNarney cite ETGAP.

Reurad W 96908 for Fw. contemplated revision of currency control procedure includes such provision.

End

Action: ASF.

INFO: OPD; Bud. Div.

## TRANSFER UNITED STATES SERVICES AND SUPPLIES TO ALLIED GOVERNMENTS

G-4 WDGS Lt Col Dixon 71602

28 FEBRUARY 1946.

CG, USFET, Main, Frankfurt, Germany.

Nr: WAR 99019.

COMGENUSFET sgd WARCOS reurad S 2125, reurad WARX 96781.

Reurad and your ltr AG 400.7 GDS-AGO dtd 4 February 1946, subj: Transfer of United States services and supplies to Allied Governments. You are authorized until further notice to continue cash reimbursable transfers as outlined and for the purpose indicated

in your letter cited above. Such transfers will be confined to services and supplies necessary to the proper and orderly discharge of the military responsibilities with which you are charged, and are not in any way to be considered as transfers under Lend-Lease authority.

Reimbursement should be obtained from Allied Military Missions by your headquarters, treating transactions as sale of supplies and services to authorized personnel under existing fiscal procedures.

Request the following be considered with respect to reimbursement obtained:

A. WARX 96781 authorized advancement of AM marks to Military Mission of Denmark, Brazil, China, and Czechoslovakia, and provided for reimbursement in United States dollars;

B. Where marks not backed by United States dollars are accepted from missions or representatives of other countries and where United States expenditure of marks with these countries do not approximately balance out, the result is an excess accumulation of nondollar backed marks in the hands of United States finance officers.

Request War Department be advised earliest practicable date whether condition in Subpara B is likely to result.

End.

Originator: G-4.

Distribution: ASF, JC/S, Adm. Leahy, CG AAF, OPD, G-2 (State), Navy, Bud. Div, Mr. Royall, C of S.

[Copy]

#### REPRINTING CURRENCY CONTROL BOOKS

SA/L&Fis/RCP/sr

2. G-1, USFET, Main.

AG, USFET, Main.

18 Jan. 1946.

1. Chief of Staff directs that currency control books be reprinted in sufficient number to supply the theater until 1 June 1946.

2. Amendment to books should be made as per attached cable.

3. It is contemplated shipping 200,000 books to New York Port of Embarkation in the near future and this fact should be considered estimation of quantity.

For the AC of S, G-1:

P. W. BROWN,

Col., GSC

Chief, Special Activities Branch.

Frankfurt 21185

Subject: Currency Exchange Control.

Memo for Record: Operational procedure to increase current theater stock of currency exchange control books.

21185 (OM)

RCP 18 Jan 46.

3. OFD TSFET.

AG, TSFET.

18 Jan. 1946.

1. In accordance with the authority contained in Par. 14, Circular 139, Hq. USFET, dated 10 October 1945, subject "Currency Exchange

Control," the following instructions have been given to all disbursing officers of this theater:

"Finance officers will make conversions of one European currency for another including transactions involving British sterling, only under the following conditions:

"a. Travel, leave, furlough orders or passes must be presented.

"b. Currency Exchange Control Book will be shown but no entries will be made in the book except for exchange transactions as required in Par. 8b of Circular 139. Amount exchange for currency of destination will not be in excess of the last balance indicated in Column 5 or Column 8 whichever is applicable, of the Currency Exchange Control Book.

"c. Amount exchanged must be entered on *all* copies of the orders or passes.

"d. Amount reconverted on return will not be in excess of the amount shown as converted on orders or passes, which amount cannot be in excess of the last balance in Column 5 or Column 8, whichever is applicable, of the book."

2. In view of the above no further action is deemed necessary.

For the Fiscal Director:

A. S. HINKLE,  
*Major, F. D.,*  
*Currency Officer.*

Tel: Frankfurt 33211.

#### REVISION OF CURRENCY EXCHANGE CONTROL BOOK

Headquarters,  
US Forces, European Theater  
APO 757 19 January 1946.

AG 121 GAP-AGO

To: Commanding Generals:

US Forces, Austria

US Air Forces in Europe

Office of Military Government for Germany (US)

Theater Service Forces, European Theater

Third US Army Area

Seventh US Army Area

Fifteenth US Army

Berlin District

European Division, Air Transport Command

Ground Force Reinforcement Command

Headquarters Command, US Forces, European Theater

Directors, Office of Military Government for:

Bavaria

Wuerttemberg-Baden

Greater Hesse

Head, US Forces, European Theater, Mission to France

1. The procedure outlined by Circular 139, this headquarters, dated 10 October 1945, has contributed much toward effective restriction of the exchange of currencies in the theater to those derived from legal sources. However, it is apparent that the system of currency exchange

control can be made more efficient on the basis of the experience gained since the inauguration of the present system.

2. It is desired that recommendations be submitted for improvement in the theater currency exchange control book. These comments and suggestions should be along the lines of, although not restricted to, facilitating the administration involved, reducing the difference between the recorded amount and the actual amount in the possession of the individual, and eliminating the possibility of possession of more than one currency exchange control book.

3. Major subordinate commanders will forward recommendations to be received at this headquarters, attention: AC of S, G-1, on or before 15 March 1946 in order that they may be considered in the contemplated revision of the currency exchange control book. Negative report will be submitted in the event no recommendations are forwarded.

By command of General McNarney:

[s] J. W. Donnell,  
[t] J. W. DONNELL,  
Colonel, AGD,  
Assistant Adjutant General.

Distribution:

- 5—Ea Addressee
- 5—G-1, Special Activities
- 5—Theater Fiscal Director

#### CURRENCY EXCHANGE CONTROL

28 January 1946.

1. Spec. Act Br. G-1 USFET Main.

Morale Br. G-1 USFET Main G-4 OFD IG (in turn).

28 Jan. 1946.

1. This branch has under study certain features of the control of black market activity. Under current regulations it is possible for a person to send home all the money he draws and live on black market money. This will become a much more serious problem when dependents arrive and purchase from Army Post Exchanges, Commissaries, etc., become much more extensive than at present.

2. The following solutions are submitted for your comment or concurrence:

a. *Currency Control Books* to be revised to correspond with a commercial bank deposit book so as to permit numerous entries (approximately 200). Books to be serially numbered on cover page and pages therein numbered consecutively. Number of book to be recorded in service record. Personnel Officer or equivalent will continue to be the only person authorized to make credit entries. Books will be retained by enlisted men as well as officers, and cashiers in Commissaries, PX's and Messes authorized to make debit entries.

b. *Commissaries*—It is understood that G-4 has arranged to operate all commissaries on a credit basis settled monthly. Commissary cashier will make deduction in Currency Control Book when payment is made.

c. *Post Exchange*—Two plans are submitted. This branch favors plan one but invites your comments.

*Plan One*—All purchases made by coupons sold by PX. PX cashier to deduct cost of coupon books from Currency Control Book.

*Plan Two*—PS to operate on cash basis. Sales exceeding one or two dollars to be deducted by cashier from Currency Control Book. No deduction to be made for sales under \$1.00 or \$2.00.

d. *Meal* (to include food, beer, and bulk liquor). All purchases to be made by coupons sold by mess. Mess cashier to deduct cost thereof from Currency Control Book.

e. *Barber shop, beauty shop, pressing, cleaning, laundry or other post facilities*. It is assumed that these will operate under the QM (Commissary). Mess or PX and will use one of the systems outlined above.

f. Attention is invited to the fact that no control over purely German civilian activities such as tailors, gift shops, etc., is provided. It is believed that such activities will be small and there is no practical means of exercising this control.

For the AC OF S, G-1:

P. W. BROWN,

Colonel, GSC,

Chief, Special Activities Branch.

Telephone: Frankfurt 21978.

1. Spec. Act. G-1 USFET, Main.

OFD, USFET, Main.

28 Jan. 1946.

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d. *Mess*—(to include food, bar and bulk liquor). All purchases to be made by coupons sold by mess.

e. *Barber shop, beauty shop, pressing, cleaning, laundry or other post facilities.* It is assumed that these will operate under the QM (Commissary), Mess or PX and will use one of the systems outlined above.

f. Attention is invited to the fact that no control over purely German civilian activities such as tailors, gift shop, etc., is provided. It is believed that such activities will be small and there is no practical means of exercising this control.

For the A C of S, G-1:

P. W. BROWN,  
Colonel, GSC,

Chief, Special Activities Branch.

#### OFD, TSFET

G-1, USFET ( Special Activities Branch).

1. Concur.

2. Plan 1 under paragraph 2 c is preferred because:

a. It effectively closes black market loopholes.

b. It provides flexibility for conducting charitable, contributinal and intermittent retail activities when authorized. Example: March of Dimes campaign circular could require contributions to be only in PX Coupons; the Committee to obtain legal marks from the PX for coupons collected.

R. A. KOCH,

Colonel, FD, Act. Fis. Dir.

#### SERVICES RENDERED AMERICAN RED CROSS

To: AGWAR.

For Info: American Red Cross, Wiesbaden.

From: U. S. Forces European Theater, Signed, McNarney.

Ref. No.: S 39399 Cite: EIGAP TOO: 011700A.

During operations in UNITED KINGDOM and the campaign in FRANCE and the Low Countries, the American Red Cross obtained labor and other supplies and services through reciprocal aid in accordance with previous commitments of the Assistant Secretary of War. At the time of entry of United States Forces into GERMANY the Army furnished services and payment for indigenous labor to facilitate uninterrupted Red Cross operations. During this period Red Cross installations were primarily those attached directly to a Military Unit. As the situation stabilized, Red Cross installations such as warehouses, clubs, Headquarters, etc., were established separately from Army Bases or units. Pay for indigenous civilian personnel employed therein was affected, in some cases, through Army Labor Procurement Officers in accordance with Theater Directives, but in some instances, due to local situations, was effected through the use of Red Cross funds. These funds consisted of sterling accounts in ENGLAND which were drawn upon by checks which were exchanged for Allied Military Marks with local Finance Offices. In some areas this remained in effect until Theater Policy was published providing for such payments by the Burgomoister. The American Red Cross expanded a

total of 572,569 marks on this account on assumption that recoupment of dollar-backed marks (for exchange back to sterling if necessary) would be possible from the Army. However, URAD W-93091, 16 January 1946 indicated that indigenous labor employed by American Red Cross is not chargeable to occupational costs. Therefore, it is not clear how American Red Cross's past disbursements can be recouped in dollar-backed marks as the consequence of such adjustment necessitates charging American Red Cross's indigenous vouchers to German economy.

This Headquarters believes that amount of 57,256.90 dollars is a proper charge against occupation costs as all American Red Cross's services during the period of these expenditures were for welfare of United States Troops. This Headquarters also believes it proper and feasible to secure American Red Cross recoupment by requiring currency section for Germany to take over American Red Cross's indigenous vouchers in return for equivalent dollar-backed marks. It is requested that instruction now being prepared in War Department per URAD W-93091 indicate instructions covering specific recoupment problem here described.

USFET:

Originator: G-1.

Information: SGS; G-4; MG (U. S. Zone); TSFET; Fiscal; Summary; AG Records.

Added Disp: G-1, 25/2/46.

TSFET:

Action: G-1.

Information: SGS; G-4; ARC; Summary.

Authentication: O. C. Haywood, Jr., Colonel.

Coordinated: G-4, ARC, OFD, OMG (U. S. Zone).

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#### EFFECTIVENESS OF EXCHANGE CONTROLS

WDSS Bud Div WDSBU 230  
(13 Nov 45) 2425

Lt. Col. Feyereisen 73289

19 FEBRUARY 1946.

CG, USFET, Main, Frankfurt; Germany

Nr: WAR 97821

COMGENUSFET, Main for G-1 info Colonel Carl H. Pforzheimer, Jr., TD G-1 signed WARBUD Reurad S 39399.

The following is copy of teletype conference number 5657 between War Department and Colonel Pforzheimer, repeated to you. Colonel Pforzheimer has been requested to discuss material in twx with theater headquarters in the immediate future.

"Subject: Effectiveness of exchange controls in connection with returns from quasi official organizations:

"1. The over-all mark account of November 30 showed a deficit of some \$26,000,000, taking into account disbursing officers balances on hand but without consideration of marks in the hands of troops. Figures for December, the first full month of the control card, are not yet available. However, since the present exchange control

card permits conversion to dollars or other hard currency of amounts up to 100% of pay and allowances and dollar instruments cashed, it is possible that this privilege may be exercised by sufficient number of personnel to keep us in the red to even a greater extent. Therefore, the question arises whether returns of marks from post exchanges, commissaries, and other quasi official installations, since they are in addition to the amounts exchangeable by individuals, do not provide a loophole which may be of considerable magnitude. With the arrival of dependents in the theater, and resultant increased expenditures of military personnel at commissaries and post exchanges, this problem may become more critical. In this connection, WAR 96908 suggests the issuance of coupon books, cost of which would be deducted from pay vouchers, and only coupons from which would be eligible for purchase of goods or services at quasi official organizations. This or some other means must be adopted (if it has not already been) to stop black market operations at the expense of U. S. Army dollars.

"2. A specific and pressing problem in connection with the above is the responsibility of the Army to take up from the various U. S. cable companies operating in Germany, in exchange for dollars, marks received from authorized personnel in payment for messages and flower transmissions, the total sum involved being in the neighborhood of \$1,000,000. Such exchange would increase the existing deficit by a like amount, yet it appears the War Department has a definite responsibility in this respect. A final opinion on this matter is still being awaited from the theater.

"3. Another problem is the responsibility of the Army for giving dollar backed marks that is military government marks which can then be turned into disbursing officers for dollars or sterling, to the Red Cross in reimbursement for marks it purchased with sterling and subsequently used for payment of indigenous labor. The Red Cross, and the theater, apparently both consider that indigenous labor should be supplied as an occupation cost. See S 39399. Although the War Department is in accord with the Red Cross using marks from military government sources for that portion of the pay of indigenous labor which cannot be met from normal operating income, any reimbursement to the Red Cross of marks which could subsequently be turned in for dollars would cause a deterioration in the mark position of the amount in question. In connection with the above it is requested you undertake the following:

"A. Discuss with the theater the potential or existing exchange loophole arising through non deduction from mark sums exchangeable by military personnel, of their expenditures in quasi official installations, and report on the extent of this loophole and theater proposals for remedying it. In this connection December 31 currency reports, when compared with those for November 30 should give a clear picture of the first month's operation of the control card system and its efficiency.

"B. Discuss with the theater the question of Army responsibility for the exchange of marks now in possession of U. S. cable companies and make recommendation. Cable companies are pressing us.

"C. Discuss with the theater S 39399, and make recommendation. It would seem that Red Cross might foot this bill without undue disturbance.

"4. It should be called to the attention of the theater that in their consideration of simplification and improvement of existing exchange controls, adequate safeguards should be maintained to prevent exchanges of one non-German currency for another, except in case of legitimate travel, as discounts may arise between two such currencies which would make arbitrage between them as profitable as arbitrage between marks and dollars. The fact that the individual cannot transfer his profit back into dollars is important, but nonetheless it is most undesirable for any individual to be given the opportunity to acquire large profits in a foreign currency, which could then be used for export of goods, etc. The best example of such a situation is probably the relationship which formerly existed (and perhaps still exists) between the Belgian Franc and the guilder, where even if individuals had not been able to transfer the excess guilders into dollars (which they did) a handsome guilder profit could have been derived for future operations in physical goods. In this connection, many stories are circulating concerning the extent to which military personnel are using marks they cannot transfer into dollars for purchase of German manuscripts, jewelry, fine china, et cetera which are then sent through Army Post Offices to the United States for resale. Although the morale problem of limiting such transactions is understood, serious thought should be given to the eventual implications of such operations with respect to the reputation of U. S. Armed Forces.

"5. It is understood the Treasury is about to propose to the War Department the use of a new military script which would be exchangeable only by authorized personnel in official or quasi official channels. When individuals desired to obtain local currency for such script, it could be obtained through Finance Officers, but local currency would not be subject to reexchange for script or dollars. It appears doubtful whether use of such script could be reconciled with the privilege given to military personnel of reexchanging local currency in their possession which they cannot use. However, in connection with discussions concerning the use of such script, it would be helpful if you would thoroughly discuss with theater authorities points mentioned in this conversation, and give full report on existing situation, particularly in Germany. We strongly desire, as I believe does also the Theater Commander, that the mark deficit be reduced each month."

End

Originator: Bud Div.  
Distribution: ASF-Fisc; OPD.

COPY

CURRENCY EXCHANGE CONTROL

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
OPA 757, 6 Feb. 1946.

AG 121 GAP-AGL.

To: Commanding General, New York Port of Embarkation.

1. There is under discussion between this theater and the War Department a procedure intended to curtail misuse of United States

dollars by new personnel arriving at ports in this theater from the United States, because it has been impossible for dollars to be taken up from new arrivals immediately upon debarking in this theater. On 10 November 1945 this theater placed in effect rigid currency control regulations as evidenced by the inclosed Circular 139, Headquarters, U. S. Forces, European Theater, dated 10 October 1945.

2. Pending issuance of formal War Department instructions on currency control mechanisms to be exercised in the instance of personnel embarking from a United States port en route to this theater in consequence of negotiations above referred to, it is requested that you lend your cooperation to an interim procedure as follows:

a. The Commanding General, New York Port of Embarkation to place in stock United States Forces, European Theater, Currency Exchange Control Books to be supplied by this headquarters.

b. Currency Exchange Control Books to be placed in secure custody and issuance thereof to be controlled in such a way that only one Currency Exchange Control Book will be issued for each emarkee (officer, enlisted person, or civilian).

c. Currency Exchange Control Books for persons in each movement, excluding general officers, to be issued in bulk to the commanding officer of troops prior to departure of each transport.

d. Commanding officer of troops to be required by you to instruct his personnel section to make initial entries in the books as follows after departure from the port:

*On the face of the Currency Exchange Control Book:* enter name (and serial number and grade where appropriate) of the person for whom the book is intended; change the line immediately below the name line reading "Net Cash Pay Drawn by Me \* \* \*", to "Dollars imported"; place on the line so modified the actual dollars and cents which the individual is able to certify, orally or in writing as may be necessary, to have in his personal possession upon departure from the port; require individual from whom declaration has been taken to enter his signature and rank on the signature line above the words "Subscribed and sworn to \* \* \*"; require personnel officer or similar officer who has taken the foregoing declaration to enter *date* thereof, and his signature, on the signature line at the bottom of the face of the book; books initiated as above described to be given to each person concerned with cautionary notice that it must be retained on his person and shown to a finance officer in this theater before *any* exchange of dollars in his possession to foreign currencies will be made.

e. Upon arrival at a permanent or semi-permanent station in this theater where finance facilities are adequate for the purpose, currency exchange will be made under controlled conditions which will facilitate the taking up by personnel officers of the book as required in Par 7b of the theater circular attached.

8. Upon receipt of the air shipment of Currency Exchange Control Books and promulgation of port instructions substantially in accordance with the foregoing, it is further requested that cable acknowledgment, including date when instructions will take effect, be given this theater.

4. 50,000 books are being forwarded today by registered air mail (Registry 26, 26A, 26B, 26C, 26D, 26E, 26F, 26G, 26H in Pouches

75 to 79 incl.) to inaugurate the above procedure. An additional shipment will follow by water.

For the Commanding General:

(s) L. S. Ostrander,  
(t) L. S. OSTRANDER,  
Brigadier General, USA,  
Adjutant General.

1. Incl: Cir 139, this headquarters, 10 Oct. 1945.

Distribution: 5—Addressee; 2—CG, TSFET (Less incl); 2—A/C of S, G-4 (Less incl); 2—AG Publications Depot (Less incl).

#### PAYMENT OF CIVILIANS ACCOMPANYING OUR ARMIES INTO GERMANY

8 FEBRUARY 1946.

1. OFD, USFET, APO 757.

5: 18 Feb. 1946

G-1, Civ. Pers., TSFET (Main), G-1, Civ. Pers., USFET (Main), Mil. Gov't, Civ. Pers., OPA 757, in turn.

1. On the 21 November 1945 this office forwarded through the sections indicated an IRS c/n 4 regarding the certification of payment of French, Belgian, Luxembourg, and Dutch Civilians who accompanied the armies in the early operations in Germany.

2. Carrier note 4 from this office was as follows:

"1. Attention is invited to the basic communication attached and to the following carrier notes.

"2. Suggestion made in par. 4 of c/n 3 wherein the employing unit would supply the necessary certification might in some instances prove a satisfactory solution. At the same time numerous employing units have already returned to the zone of interior, and many nationals would be left without any means of obtaining the needed certificates.

"3. As stated in carrier note, this office is of the opinion that before instructions can be issued for the exchange of currencies for these nationals that the following points should be covered:

"a. The individual should possess adequate identification to present as to the source of the funds to be exchanged.

"b. Certifications should be made from official U. S. records.

"c. A strict control should be exercised to prevent black-market activities.

"d. Either the employing unit or the U. S. Army division charged with the responsibility of maintaining records of the individuals employed should provide adequate and complete identification to make the exchange.

"4. Your views and comments are requested."

3. It is requested that this office be informed as to the status of this IRS as a solution to the problem presented is urgent.

For the Theater Fiscal Director:

A. S. HINKLE,  
Major, FD,  
Currency Officer.

Tel. Frankfurt 33211.

## CURRENCY CONTROL.

SPECIAL ACTIVITIES BRANCH,  
G-1 DIVISION,  
13 FEBRUARY 1946.  
SA/PWB/ed/2-1145

Memorandum.

To: Colonel BARNES.

1. Reference the attached note, apparently General Bull from a conversation with General Clay has suddenly gotten interested in a phase of currency control. At the risk of repeating things which you already know, I believe you should have sufficient background on the subject to present the G-1 viewpoint. I am, therefore, giving you the following history.

2. Currency Control was supposed to be effective 10 November 45: actually it was the end of November before it got into complete operation. It was a "shot in the dark" and has many bugs. In January we decided that sufficient number were beginning to show up so that we could revise and improve it and of 19 January we put out a letter calling for recommendations on revisions from all the major commands by 15 March. It was planned at that time that the circular would be in final form and presented to the AG for publication sometime between 1 April and 15 April and would go into effect approximately fifteen days after the AG was able to make distribution on the new circular and new Currency Control Books.

3. There are many minor errors with the present system but in general they come under the two following headings:

a. *The Book.*

The present Currency Control Book has insufficient space for the number of entries required, is too easily duplicated or counterfeited, is not serially numbered, and present regulations require that only officers keep it in their possession. Enlisted men and civilians leave it with the personnel officer. Our contemplated change will be a book capable of about 200 entries, printed on tamper-proof paper with a fabrikoid back, serially numbered and number to be a matter of permanent record and to be kept by all individuals. We have some ideas on this and could draw up a better book than the present one but expect possible suggestions from the major commands on this matter. We have already alerted the AG on the necessity for obtaining tamper-proof paper.

b. *Entries.*

Present regulations allow an individual to send home all the money he draws in the theater and live off black market money. Entries are made only by personnel officers. To remedy this we plan to require all agencies such as the Post Exchange, Mess, Liquor Store, Western Union, etc., to issue coupon books in a certain denomination. The system proposed has many disadvantages but we have general concurrences in principle from the interested staff agencies here on that point. As a corollary to this, cashiers in these various agencies would have to be authorized to make debit entries in the Currency Control Book. The "collection sheet idea" apparently discussed by General Clay is not known but it is estimated that this will be included in his report based on our letter of 19 January.

We hope to get additional ideas from the using people on this subject from the reports due 15 March.

4. There are many other complications and I quote a few to give you an idea of the ramifications.

a. Will every dependent be given a separate Currency Control Book and if so who will make the necessary entries when Pvt. Smith gives his child five dollars?

b. What happens in a case such as came up recently when a soldier died with \$500 in marks in his possession but his Currency Control Book only shows \$250?

c. What happens in a case such as recently occurred when a soldier who was convicted of black market activity was given a DD but had in his possession \$10,000?

5. This matter can be corrected piecemeal—that is, we can put out directives piecemeal—but I doubt if the troops will find them practical. For example, we can put out a directive that effective 1 March all business will be done on a chit basis but unless we have a proper Currency Control Book we are putting a terrible administrative burden on personnel officers.

6. My recommendation is that the entire matter be presented to General Bull with the understanding that the plans now being worked on will probably not be completed and actually in effect before 15 May '46. We are as anxious as anyone to beat that time and started about a week ago drawing up the new circular based on our opinion only with the ultimate plan that we will fit in any ideas received from major commands on 15 March. If, on the other hand, he feels that deficiencies should be corrected as they occur we can put out instructions piecemeal, but it is my personal feeling that this matter is all so inter-related that it must be a result of a complete over-all change.

7. In general the present Currency Control Book has improved the situation. In conclusion figures give a very optimistic viewpoint. To this extent I feel we can afford to wait.

8. We are, therefore, planning to issue no further instructions on currency control other than to solve individual problems that may come up until sometime prior to 15 April. By that time a complete new circular will be in the hands of the AG. If the above is not satisfactory please advise any other method of procedure desired.

P. W. BROWN,  
*Colonel, GSC,*

*Chief, Special Activities Branch.*

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#### REQUEST FOR PUBLICATION OF COMMAND LETTER

15 FEBRUARY 1946.

1. OFD, USFET; G-1 USFET.  
15 February 1946.

It is requested that the following Command Letter be published. Revision of Letter this Headquarters, file AG 121 OPGA, subject: "Prohibition against circulating importing or exporting United States and British currencies in liberated and occupied areas and certain transactions involving French currency except through official chan-

nels, dated 23 September 1944" is necessary to include prohibitions of mailing currencies through Army or Commercial channels:

Subject: Prohibition against circulating, importing mailing or exporting United States and Continental currencies including British currency in liberated and occupied areas and transactions involving all currencies except through official channels.

To: Commanding Generals: US Forces, Austria; US Air Forces in Europe; Office of Military Government for Germany (US); Theater Service Forces, European Theater; Third US Army Area; Seventh US Army Area; Berlin District; European Division, Air Transport Command; American Graves Registration Command, European Theater Area; Headquarters Command, US Forces, European Theater. Directors, Office of Military Government for: Bavaria, Wuettemberg-Baden, Greater Hesse. Head, US Forces, European Theater, Mission to France.

1. Letter, this headquarters, file Ag 121 OPGA, subject: Prohibition against circulating, Importing, or Exporting United States and British Currencies in Liberated and Occupied Areas and certain transactions involving French currency except through official channels, dated 23 September 1944 is rescinded.

2. Except as authorized, all personnel subject to the jurisdiction of this headquarters including those individuals who come within the scope of WD Cir 364, WD, 8 September 1944, and cir 139, Hq., U. S. Forces, European Theater, dated 10 October 1945, are prohibited from:

a. Importing, holding, transferring, exporting, or in any way dealing in United States or British paper currency in liberated or occupied territory within the European Theater of Operations.

b. Participating in transactions involving the purchase, sale or transmission by mail (through the Army Postal system or commercial mail) of any Continental currencies except through official channels.

c. Dealing in gold coins or gold bullion.

d. Taking part in negotiations involving the sale of one continental currency for another on behalf of persons resident in Europe not amenable to the jurisdiction of this headquarters as set forth above.

e. Importing into and exporting from Europe, funds, securities or money for the account of persons residing in Europe who are not subject to the jurisdiction of this headquarters as defined above.

3. Violation of any prohibition hereof will subject the offender to trial by court martial or other appropriate action.

4. The provisions of this letter will be brought to the attention of all personnel and will be conspicuously posted in appropriate places.

By command of General McNarney:

For the Theater Fiscal Director:

A. S. HINKLE,  
Major, F. D.,  
Currency Officer.

Telephone: Frankfurt 8-3211.

[Copy]

## CURRENCY EXCHANGE CONTROL BOOKS

18 FEBRUARY 1946.

1. OFD, USFET; G-1, USFET.

18 Feb. 1946.

Referred to your office for your information.

For the Theater Fiscal Director:

A. S. HINKLE,  
Major, P. D.,  
Currency Officer.

Incl:

2 Currency Exchange Control Books withdrawn.

Telephone—Frankfurt 3-3211.

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POSTAL MONEY ORDERS

To: Commanding Generals: U. S. Forces in Austria; U. S. Air Forces in Europe; Office of Military Government for Germany (US); Third U. S. Army Area, Seventh U. S. Army Area, Berlin District; European Division Air Transport Command; American Graves Registration Command, European Theater Area; Directors, Office of Military Government for: Bavaria, Wuettemberg-Baden, Greater Hesse; Head, U. S. Forces, European Theater, Mission to France.

From: U. S. Forces European Theater  
Ref. No.: SC-17235

Signed: McNarney.  
TOO: 230156A.

## • BOOK MESSAGE

Effective 23 February 1946, and pending the issuance of a revised currency control book, all purchases from Post Exchange, Quartermaster of other United States Military sources of items, the unit cost of which is in excess of 25 dollars, will be paid for by United States Postal Money Order only.

SMC OUT 2961.

## UNCLASSIFIED

USFET

Originator: G-1

Information: SGS; HQ Command; AG; G-2; G-3; G-4; MG (US Zone); TSFET; Summary; AG Records

Authentication: C. G. Haywood, Col.

Coordinated with: AG Postal Div.

TSFET

Action: G-1

Information: SGS; G-2; G-3; G-4; AG; HQ Command; Summary; Files

## TELETYPEWRITER CONFERENCE NO. 5726

## EXTRACT

25 FEBRUARY 1946.

Theater Conferees: Col. C. H. Pforzheimer, Jr., W. D.; Col. B. H. Graben, Deputy Fiscal Director, USFET; Capt. C. R. Borg, USFET G-4; Major R. S. Dudgeon, London Area Office, Procurement; Mr. P. W. Ragon, London Area Office, Procurement; Major H. E. Perry, Fiscal Officer, London Area Office; Mr. Wm. M. Tomlinson, U. S. Treasury.

War Dept. Conferees: Major General George J. Richards, BOWD; Lt. Colonel Thomas G. Upton, BOWD.

Subject: UK Agreements (1)

TT 5657 (17 Feb. 46) Belgian War Brides (2)

ITEM 4: As indicated in my items 2 and 3 of TT 5657, theater has been studying problem since early December. Have had two long phone conferences with USFET G-1 officers.

A. Need for world-wide currency control book now greater than ever. Use of scrip for all rpt all purchases in any military or quasi-military establishments considered most desirable. These books of scrip should only be purchased by charge on currency control card; should be expressed in dollars and suitable fractions thereof; should be in various amounts say 5, 10 and 25 dollars; scrip should be easy to handle by vendors, say no smaller than 2 franc French invasion note or the one half and 1 AM rpt AM mark notes; and available only rpt only to those eligible to receive PX, Commissary, QM Store, Mess, or Club Cards. All prices in these Army installations should be quoted in dollars, which, with scrip in use as well, avoid making price changes and seeking special fund guarantees whenever a C-Day occurs.

B. With Taylor had long conference with Mr. J. R. Trevaldwyn of War Office financial section on black market problems encountered by U. K. Forces abroad. We were unofficially advised that in addition to the Netherlands, U. K. Forces have created excess foreign currency problems in Norway (about 3 million kronen- or a 50 percent excess over U. K. drawings of 6 million); Germany (excess up to 250 million marks at year end and still going up); France (excess might be apparent as a result of C-Day in France); and possibly Italy (okay up to year end, but trend is bad and C-Day in Italy may show up an excess). In other words, U. K. Forces in trouble in all countries except Belgium, Denmark, Greece, and possibly Austria. (Taylor filing comprehensive report with Treasury.) Also discussed with Trevaldwyn measures taken or contemplated by War Office. Found their implementation to date and planning less advanced than ours.

C. Meanwhile USFET Headquarters has already taken following steps:

(1) Payment for phone calls to U. S. from European Continent must be by APO money order charged to currency control card.

(2) Telegraphic orders for flowers, gifts, etc.—same procedure.

(3) Purchase of any PX gift items in excess of 25 dollars—same procedure.

(4) Informal announcement that currency control is to be further revised.

D. USFET communicating direct with WD on balance TT 5657 (W-97821).

WD 6: It is not understood here why theater is pressing for world wide use of exchange control book when there are large areas such as South America and China where no rpt no need whatever exists for it. Furthermore the Japanese situation seems to be well under control with present mechanisms. Thus world wide use of currency book would seem to impose an unneeded burden in many places, with questionable advantage to ETO and MTO. It appears here that answer to currency control must lie in tightening up by theaters where currency problem exists (this observation does not rpt not pretend to pass on merits or demerits of the question of world wide use of military script, proposed by Treasury.)

ITEM 17: My Item 4A represented personal rpt personal recommendations as requested in TT 5657. By world wide is meant merely that a foreign exchange control book should be issued as standard SOP rpt SOP whenever military personnel leave the ZI bound for occupation areas or any other regular establishments of reasonable size that use foreign currencies. Military Attaché offices and similar missions such as in South America would not be affected.

## CURRENCY EXCHANGE CONTROL

### INTERNAL ROUTE SLIP

*Headquarters, U. S. Forces, European Theater*

28 FEBRUARY 1946.

SA/L&Fis/WAW/sr

1. G-1 USFET Main.

OFD, Office of Theater Budget Director.

28 Feb 1946 (in turn).

1. Attention is invited to paragraph 5, AGWAR cable W-97821 dated 20 February 1946, attached. Comment is requested on contemplated proposal of Treasury Department.

2. Note classifications.

For the AC of S, G-1.

P. W. BROWN,

*Col., GSC,*

*Chief, Special Activities Branch.*

Frankfurt 21978, Incl: a/s.

28 FEB. 46.

Subject: Currency Exchange Control.

Memo, for record: Comment requested on par 5 contemplated proposal by Treasury Department to introduce use of script.

(OM.)

W. A. W.

## TREASURY CONCERN OVER INADEQUATE CURRENCY STOCKS

War Department Special Staff,  
Budget Division, WDSBU 123  
Currency (7 Sep 45) 2250,  
Lt. Colonel Upton, 73289

1 MARCH 1946.

COMGENCARIB, Quarry Heights, Canal Zone,  
COMGENUSFET, Main, Frankfurt, Germany,  
COMGENMED, Caserta, Italy,  
COMGENAMET, Cairo, Egypt,  
COMGENIBT, New Delhi, India,  
CINCAFPAC, Tokyo, Japan,  
Number: WARX 99063,  
Signed WARBUD.

1. The Treasury Department has expressed its extreme concern over the inadequacy of exchange controls in certain theaters as reflected by currency reports. In order to remedy this situation it has recommended the following plan:

A. Military payment certificates (a military script) will be made available to all theaters in adequate denominations for pay of troops. Such certificates will presumably be denominated from \$50 to .05¢.

B. Such certificates will be given to troops in exchange for their legitimate holdings of foreign currency, and henceforth all military personnel would be paid in such certificates.

C. These certificates will be the only medium of exchange accepted by Post Exchanges, Commissaries, Red Cross, Officers Mess and other Quasi official installations. They will also be the only medium of exchange acceptable for purchase of War Bonds, personal transfer accounts, Postal money orders, Soldier's Deposits, other dollar instruments, and other foreign currency.

D. Certificates will not be acceptable from the local population or from anyone other than authorized personnel.

E. Certificates are a bearer instrument and will be accounted for as cash.

F. They will be exchangeable for local foreign currency by Finance Officers; but such local foreign currency will not be acceptable by Finance Officers for dollar instruments.

2. It is requested that you cable earliest your opinion concerning the acceptability of such military payment certificates for use in your theater. In considering this question the following points are suggested as of interest.

A. It appears not improbable that some type of uniform world-wide currency control (perhaps excepting certain areas) will have to be instituted at any early date. Such control might alternately take the form of more extensive use of currency exchange control books such as now used in ETO and MTO, combined with the use of coupon books, which would be sold against voucher deductions and would be entered on the currency exchange control book. Coupons from these books would be the only acceptable medium of exchange in Quasi official installations.

B. Although not acceptable from the local population by Finance Officers, undoubtedly a black market would develop in

military payment certificates such as is now developing in certain areas in Treasury checks, and other dollar instruments. Although such a black market would not involve War Department funds, its implication from a disciplinary standpoint should be considered.

C. Likewise consideration should be given to the morale problem which might exist if troops are paid in a medium which only has value through Army installations, and where inability to reach a Finance Office for purposes of exchange would temporarily deprive the individual of funds for use in the local economy.

D. If it is felt that the non-exchangeability by Finance Officers of foreign currency obtained originally by authorized personnel through exchange of military payment certificates would entail hardship, it is possible that an additional mechanism could be set up which would permit such reexchange when an individual leaving the theater could show that due to reasons beyond his control he could not use the currency for the purpose for which he obtained it. Such exception, however, might tend to reopen an exchange control loophole.

3. The War Department has taken no position with respect to the desirability or feasibility of such military payment certificates. It does recognize, however, that exchange controls in many instances have not been adequately administered, and that some method must be adopted which will block completely the transfer of local currency arising from sources other than pay and allowances (or dollar instruments cashed through official channels) and which will enable normal expenditures of personnel in the local economy to be properly reflected in currency accounts. Full consideration will be given to theater analyses of the military payment certificate plan, coupon book plan in conjunction exchange control book, or any other plan, or statements concerning steps taken or to be taken by theater commanders to render existing exchange controls completely effective and thus make unnecessary such military payment certificates.

4. It is not contemplated that military payment certificates will be used in those countries where no exchange problem exists.

End

Originator: Budget Division.

Distribution: ASF-Fiscal; OG AAF; OPD; G-1.

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BRITISH CANTEN MONEY

C-484

15 MARCH 1946.

From: CG, USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 34\*2.

From USFET Main G-1 ref nr S 34\*2 to for action AGWAR for WARBUDDIV sgd McNarney cite ETGAP.

This is reply to your unnumbered message dated 10 March subject British War Office's proposal relative "canten money" and WX 99066 dated 2 March 1946.

The sections of part 5 your unnumbered message referred to above are considered in order:

A and B: It is believed the speculative activities of both American and Allied soldiers insofar as they affect our economy have been materially reduced since the present theater currency control policy went into effect 10 November 1945 (theater circular 139 dated 10 October 1945). All regular users of theater facilities, whether American or Allied, are required to have currency control books and purchases from exchanges and clothing stores in excess of \$10.00 are deducted from free balance in books. Present approach considered most effective single method for accomplishing dual objectives of approximating balanced budget and disciplinary control; weaknesses which have developed such as relative ease in counterfeiting books, possibility of illegal entries and lack of specific provision for deducting amount of all purchases in theater facilities from free balance in book (\$10.00 deductions referred to above recent expedient) will be largely remedied by new books to be issued about 15 May 1946 which will be serially numbered, bound in cloth-backed paper and which will provide for the deduction of the amount (where in excess of 50¢) of purchases from theater installations from the free balance of the book; corollary revision of circular 139 will provide for strict accounting of all books through serial numbering system and will tighten all present features generally.

C. Military payment certificates (script) could be used in occupied Zone of Germany only. This is small portion of theater but contains majority of troops and installations. Impractical to use outside occupied Zone of Germany due to commitments with some countries that troops will be paid in indigenous currency and also fact that much troop pay not spent in Military installations. Within occupied Zone script would balance currency exchange account unless counterfeiting of script were developed on a large scale. From fiscal standpoint in view of part 5 of your 10 March 1946 message, script appears desirable. Script, however, would not eliminate black market activity and from disciplinary standpoint currency control regulations would have to be continued in their present or more stringent form (see Pars. A and B above). This headquarters perceives no serious difficulty in integrating script into our fiscal plans described above. (In this connection if script is adopted, in each case where it is exchanged for German currency for local purchases, the disbursing officer will furnish a certificate to that effect showing date and amount, and such amount will be deducted from the free balance in the currency control book. If currency thus converted is not used or only partially used, the unused portion may be taken back in the free balance of the book by presenting such currency together with said certificate (which will be then surrendered) and currency control book to any disbursing officer. This is in specific reference to part D of your WX 99066). Event script is adopted it is recommended that it be called "Canteen Money" and that such designation appear on the bills rather than "Military payment certificate" or "script" for the reason that Germany has long been accustomed to the use of "Canteen Money" by their own Army. Such action is calculated to reduce the possibility of adverse affect on German economy by growth of lack of confidence in the mark which might otherwise be occasioned. As a corollary

measure it is proposed that with the introduction of script, if adopted, the use of the Allied Mark in official transactions, including payment of German civilians employed by U. S., will be discontinued. For example: A soldier who has been paid in script and who goes to the Finance Officer to exchange part of his script for marks for purchases will be given German indigenous currency. Script should be furnished foreign personnel authorized to use U. S. facilities only in exchange for dollar-backed currency. Essential that we be kept informed of your contemplations on this and other currency control problems in order that local planning may be kept abreast of War Department thinking.

D. See our message S 3208.

E. This Headquarters has no objection to the proposals contained in Paragraphs 3 and 4 of Treasury message quoted in your cable of 10 March 1946 referred to above. It would, in fact, strengthen control in the case of the casual Allied purchasers from theater installations (as distinguished from regular users of theater facilities alluded to above). It is recommended that a reciprocal agreement be effected with the British in respect to our script.

In summation it is considered that:

A. The present theater approach to currency control which will be strengthened as described above on about 15 March 1946 is the best single answer to the problem but that script in addition thereto is feasible and appears to be desirable in view of British proposed action and part 4 of your 10 March 1946 message.

B. It is highly desirable that the Military payment certificate (script) system, if adopted be introduced at the same time as the British "Canteen Money" plan in order to insure maximum control of the potential situation referred to in your 10 March cable, fourth part.

C. It is important that script, if adopted, be called "Canteen Money" and of design distinctive in type from any Canteen Money issued by any other country.

D. The proposed arrangement outlined in Pars. 3 and 4 of Treasury message quoted in your cable of 10 March 1946 should be reciprocal.

End

Action: Budget Division.

Info.: CG, AAF, ASF, OPD, G-1, C of S.

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#### EFFECTIVENESS OF CURRENCY CONTROL SYSTEM

15 MARCH 1946.

From: CO, USAF, MTO, Caserta, Italy.

To: War Department.

Nr: F 62835.

Action to AGWAR Wash. for WARBUD F 62835 sgd CG MED cite NAFIN.

1. Following detailed comments are applicable to cables WX99068 and WX80092.

2. Reports received from Field Disbursing Officers and Major Commands this theater, reference Paragraph 2, F62237, indicate currency control book system working effectively and stringently curbing speculative activities United States Military Personnel.

3. Use in this theater military payment certificates as proposed by Treasury Department not considered desirable nor a administratively practicable because:

A. Inability of military personnel to make expenditures in local economy without first exchanging military payment certificates for local currency considered serious limitation. Reduction in number Disbursing Offices in this and other theaters and increased distance between such offices, makes it impractical for many military personnel to visit Finance Offices to make exchanges.

B. Military Payment Certificates considered impractical from administrative standpoint because of increased burden placed on Disbursing Offices already drained of experienced personnel by redeployment and by lack of training on part of replacements. Disbursing Offices, in effect, would have to handle two currency mediums, local currency and military payment certificates, with heavy increase in number of exchanges. Such increased burden under existing conditions would seriously impair effectiveness all finance service this theater.

C. Military Payment Certificates not considered as effective as currency control books in controlling gambling and related currency manipulations among United States military personnel, since there is no control over amount that can be accumulated and remitted to United States by one individual.

4. Alternative proposal for use of coupon books as supplement to Currency Control Book procedure not believed warranted under existing conditions because:

A. Not considered that volume of Post Exchange sales in this theater justifies additional administrative burden. Expenditures in Post Exchanges already limited by ration cards and limited stocks available.

B. Use of same coupon books as medium of exchange in all quasi official installations would present considerable accounting difficulties for Post Exchanges, Commissaries and Messes and would add to burden of personnel and Finance Officers.

5. Reference part five, W-80092, British and other allied military personnel are not allowed to make purchases in United States Post Exchanges in this theater, consequently, possible British speculative activities in this theater may have not affected United States military controls.

#### BRITISH CANTEN MONEY

9 APRIL 1946.

From: USFET Main, Frankfurt, Germany.

To: War Department.

Nr: S 1461.

From USFET Main to for action AGWAR for WAR BUD Div for info to CG MTOUSA Ref No. S 1461 signed McNarney cite ETGAP.

To your WX 99066 dated 2 March, your unnumbered message 10 March subject British War Officer's plan relative "Canteen money", and our S 3482 dated 15 March 1946 reference is made. Analysis and disposition report of military pay in European Theater for month of February 1946 discloses that total pay drawn in cash by officers and enlisted men was \$9,964,877.04 less than amount spent in US agencies. While noteworthy that the form of report (prescribed by War Department) does not indicate contribution by non military authorized users of Army facilities to the deficit, feel portion actually attributable to military personnel material. Target date of 15 May cited in our S 3482 relative new currency control records now firm and implementation being accomplished. However, becoming increasingly apparent that in order to achieve permanently a balanced budget, a form of script is essential. Therefore urge that script be introduced at earliest feasible time in accordance with recommendations our S 3482. Request this headquarters be informed as soon as practicable of the status of this plan.

End

ACTION: Bud. Div.

INFO: CG AAF: ASF: OPD: G-1: C of S:

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#### PURCHASES BY ALLIED PERSONNEL

To: Commanding Generals, (1) U S Forces in Austria; (2) U S Air Forces in Europe; (3) Office of Military Government for Germany (U S); (4) Third U S Army Area; (5) Seventh U S Army Area; (6) U S Berlin District; (7) European Division Air Transport Command; (8) American Graves Registration Command European Theater Area, Directors, Office of Military Government for: (9) Bavaria, (10) Weuttemberg-Baden (11), Greater Hesse; (12) Head, U S Forces European Theater Mission to France.

From: U S Forces European Theater, Signed, McNarney.

Ref No: SC-19410. Cite: ETGAP. TOO: 011730A.

#### BOOK MESSAGE

Reference our SC-17235.

Purchases made by Allied Personnel entitled to purchase from Military sources but not entitled to purchase of money orders will be paid for by use of Personal Transfer Accounts.

SC-17235 is SMC out 2961 23/2/46 G-1

USFET

Originator: G-1

Info: SGS; HQ Comd AG; G-2; G-3; G-4; MG (U S Zone); TSFET; Summary AG Records.

TSFET

Action: G-1

Info: SGS; G-2; G-3; G-4; Summary Files.

Authentication: O. G. Haywood, Colonel.

## CURRENCY EXCHANGE CONTROL—CONTROL OF PURCHASES IN THEATER EXCHANGES

Memo for Record: CG, TSFET, Submitted following recommendations:

1. Purchasers ration categories to insure purchases of mds were actually required.
2. Ration books:
  - a. Cover a period of one year.
  - b. Be serially pre-numbered.
  - c. Be printed on erasure-proof check paper, chemically treated to prevent use of ink eradicators, and water-marked for position positive identification;
  - d. Be presented in conjunction with the conjunction with the customers identification each time purchases are made.
  - e. Provide ration stamps to control the sale of regular and varied-line merchandise on a departmentalized ration point basis.
3. Coupon books:
  - a. Be serially pre-numbered.
  - b. Be printed on erasure-proof check paper, chemically treated to prevent use of ink eradicator, and watermarked for positive identification.
  - c. Be stamped "Valid" only at time of issue by proper authority.
  - d. Be issued only to the amount per month authorized for the purchasers ration category.
  - e. Be entered on currency control books.

SA/LAFin/WAW/tc

2. G-1 USFET MAIN.

G-1 Morale.

4 March 1946.

1. Concur in instant IRS as modified.

a. Par. 5a.—Suggest quarterly rather than yearly basis to allow for elastic control of kind and quantity of items rationed.

b. Par. 6.—As provided by contemplated revised currency control procedure Army Exchange Services may sell coupon books at its installations. Suggest strict control over sale of coupon books and similar control and accounting for unused books be established.

c. Par. 8.—Contemplated revised currency control procedure planned to be effective by 15 May 1946. Such plan would require that coupon system be established on or before that date. Request information if time schedule can be kept.

For the A C of S, G-1.

Incl: n/c.

Tel: Frankfuet 21975.

P. W. BROWN

Colonel, GSO

Chief, Special Activities Branch

EXCHANGE OF UNITED STATES AND FOREIGN CURRENCIES, CASHING OF  
CERTAIN NEGOTIABLE INSTRUMENTS, AND DISPOSITION THEREOF BY  
ARMY DISBURSING OFFICERS

CIRCULAR NO. 64

Cir 64

WAR DEPARTMENT  
*Washington 25, D. C., 5 March 1946.*

Effective until 5 September 1947 unless sooner rescinded or  
superseded

	Paragraphs
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## Section I

## GENERAL

	Paragraph
Purpose.....	1
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## 1. PURPOSE. The purpose of this circular is to:

*a.* Set forth War Department policies of currency and exchange controls, and the responsibilities of theater commanders for implementing such policies through issuance of supplemental regulations as may be required within their respective areas of command.

*b.* Consolidate in revised and topical form, within a single circular, previously issued War Department circulars and instructions relating to the exchange of United States and foreign currencies, the cashing of certain negotiable instruments, and the disposition thereof, by Army disbursing officers.

*c.* Add and incorporate necessary instructions on use and exchange of military and special currencies, and on other relevant subjects not covered in previous War Department circulars.

*d.* Furnish revised list of foreign currencies eligible for exchange by Army disbursing officers, and of approved rates of exchange.

*e.* Amplify and clarify technical instructions to Army disbursing officers in the handling and disposition of United States and foreign currencies and certain negotiable instruments.

2. CURRENCY AND EXCHANGE CONTROLS. *a.* To protect the interests of the United States Government, to assist foreign countries to maintain monetary stability, and to diminish or prevent currency

black market operations, it is the responsibility of theater commanders overseas to establish and maintain effective controls over:

- (1) Circulation of United States currency,
- (2) Excessive accumulation of United States and foreign currencies in the accounts of disbursing officers, and
- (3) Exchange of foreign currencies.

b. Circulation of United States currency should be prevented to every extent possible in foreign areas except where it is definitely authorized by the War Department as a common medium of exchange for military purposes.

c. Rigid controls to establish and maintain appropriate safeguards and security measures are essential to obstruct and prevent black-market operations in United States currency, to prevent its falling into unauthorized hands, and to block the flow of that already in unauthorized hands back into general circulation.

d. Disbursing officers' bank balances should be carried in dollars, except where specific authorization has been given to keep local currency balances in foreign banks. All holdings of foreign currencies, whether in banks or in cash, should be kept at the minimum figure consistent with efficient operations. It must be borne in mind that failure to keep foreign currency balances at a minimum may result in serious loss to the War Department in the event of currency devaluation. The need to reduce the holdings of foreign currency in a country where military activity is being curtailed, must be observed in order to assure complete disposal of holdings without loss when activity in the area is terminated.

e. The obligation of the War Department to exchange foreign currency for authorized personnel extends only to those currencies in which troops are paid. With respect to a foreign currency in which troops are paid, the obligation of the War Department to take back such currency from military personnel in exchange for dollars, dollar credit, or other foreign currency, extends only to the net cash pay and allowances paid to each individual plus sums given to him in exchange for dollar instruments, and minus whatever sums the individual has expended at Army exchanges, commissaries, Government messes or other official or quasi-official installations. A vital principle of the War Department's currency transactions with foreign countries is that the total amount of a foreign currency taken in by disbursing officers shall not exceed the total sum of the same currency disbursed or given in exchange. Adequate accounting records are available to each theater commander to analyze total receipts in comparison with total payments in the currency of each country within his theater; and such records, when considered in conjunction with the normal expenditures of military personnel in other than official and quasi-official installations, immediately indicate the adequacy or inadequacy of existing exchange controls. The necessity for keeping receipts of a specific currency below the total amounts paid out can be understood when it is realized that the War Department must settle transactions in each foreign currency with the issuing country separately and independently from War Department transactions in currencies of other countries. Thus, while an excess of receipts of one currency taken in exchange for another leaves the disbursing officer's books in balance, a serious and costly disequilibrium may nevertheless exist from the viewpoint of over-all currency settlements. Observ-

ance of the principles expressed above and the enforcement of exchange controls are essential to avoid an unauthorized expenditure of War Department funds and to block individuals from black-market or collusive operation for personal gain.

*f.* Foreign currencies not used for disbursements should be exchanged only in exceptional instances in accordance with the provisions of paragraph 16.

*g.* The instructions contained in this circular are technical and may not provide all necessary safeguards and controls. Accordingly, theater commanders will take the necessary steps to provide supplemental protective measures with regard to currency and foreign exchange problems existing within their respective areas, within the general scope of War Department policies, local foreign exchange regulations, or directives from the Joint Chiefs of Staff or Combined Chiefs of Staff.

## Section II

### AUTHORITY TO EXCHANGE CURRENCIES AND TO CASH NEGOTIABLE INSTRUMENTS

	Paragraph
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#### 3. EXCHANGE OF CURRENCIES, ISSUANCE OF TREASURY CHECKS, CASHING OF POSTAL MONEY ORDERS, TREASURY AND OTHER OFFICIAL CHECKS.

*a.* Subject to the provisions of this circular and subject further to such additional limitations as may be established by theater commanders, for official purposes or for the accommodation of military, naval, and civilian personnel of the United States Government, merchant seamen (as provided in par. 13), representatives of the American National Red Cross who are United States citizens, personnel of contractors, and of nongovernmental agencies operating with the armed forces of the United States, all of the foregoing hereinafter referred to as "authorized personnel," Army disbursing officers are authorized to cash United States Treasury checks or local depository checks drawn by disbursing officers in their official capacities, United States postal money orders, and such checks or similar instruments as may from time to time be prescribed by the War Department; exchange and interchange United States and foreign currency and coin; and issue their official checks in exchange for United States or foreign currency and coin.

*b.* Army disbursing officers are authorized to issue to and to cash for authorized personnel United States military disbursing officers payment orders, in accordance with the provisions of section IV, WD Circular 159, 1945.

*c.* The attention of all concerned is directed to Public Law 554—78th Congress (sec. VI, WD Bul. 1, 1945). This act stipulates that the authority granted to disbursing officers to cash and negotiate instruments payable in United States and foreign currencies and to conduct exchange transactions involving United States and foreign currency and coin and negotiable instruments shall be subject to regulations issued pursuant to this act. So far as Army disbursing

officers and their agents are concerned, the provisions of this circular shall be regarded as rules and regulations within the purview of section 3 of this act, which will be observed in conducting transactions authorized by section 1 thereof.

4. **CASHING OF CHECKS AND POSTAL MONEY ORDERS.** *a.* The authorization contained in paragraph 3a to cash United States postal money orders is limited to the cashing of original money orders which are presented to disbursing officers prior to the expiration of 60 days from date of issue. Subsequent to the expiration of 60 days from date of issue postal money orders will be negotiable only through post offices, including Army post offices, in accordance with regulations of the Post Office Department. Attention is directed to the fact that the issuance of a duplicate money order (which may not be issued before the expiration of 75 days from date of origin) voids the original. Since duplicate money orders bear the date of issuance of the original, Army disbursing officers are not authorized to cash duplicate money orders which are negotiable only through post offices, including Army post offices.

*b. Postal notes.* The authorization contained in paragraph 3a to cash postal money orders does not extend to the cashing of postal notes by Army disbursing officers.

*c. Inside continental United States.* The authority granted in paragraph 3a, for Army disbursing officers to issue United States Treasury checks, or to cash United States Treasury checks and United States postal money orders for the immediate needs of authorized personnel, is intended to provide facilities for, and apply to, only such personnel who are en route to, or returning from, oversea area, except as provided in (1) below:

(1) Disbursing officers may cash United States Treasury checks or United States postal money orders for the purpose of enabling the payees thereof to purchase U. S. Savings Bonds, subject to the following:

(a) Checks may be cashed for the payee only where the entire proceeds or portions thereof are surrendered to the disbursing officer in exchange for U. S. Savings Bonds.

(b) Payees will be required to indorse such checks payable to "Treasurer of the United States."

(2) Cases not coming within the purview of the foregoing policy will be referred through the commanding general of the appropriate service command to the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C., for determination.

*d. Outside continental United States.* Army disbursing officers outside the continental United States may cash for authorized personnel, in accordance with paragraphs 15 and 18.

(1) Travelers checks and money orders issued by the American Express Company and travelers checks issued by the Bank of American National Trust and Savings Association, the Mellon National Bank of Pittsburgh, and the National City Bank of New York, when such checks are countersigned in the presence of the disbursing officer, or his agent.

(2) Checks of the American National Red Cross drawn on local depositories in the currency of the country where presented when local arrangements exist for clearing such checks without loss to

the Government. Such checks will be cashed only for an authorized person whose name appears thereon as the original payee.

(3) Checks of the below-named agencies, or branches thereof, drawn on commercial banks in the United States or on local depository banks in the currency of the country where presented, when local arrangements exist for clearing such checks without loss to the Government; provided that such checks will be cashed only for an authorized person whose name appears thereon as the original payee:

- (a) Army Emergency Relief.
- (b) Army Exchange Service.
- (c) Army Central Welfare Fund.
- (d) Central Hospital Fund (Office of the Surgeon General).

5. EXCHANGE OF CURRENCIES FOR FOREIGN PASSENGERS ON AIR TRANSPORT COMMAND ROUTES. United States currency and foreign currencies listed in paragraph 15, or currencies specifically approved in accordance with paragraph 16 may be exchanged for military personnel of other Allied Governments and for properly accredited foreign civilians traveling under competent authority over routes of the Air Transport Command, Army Air Forces. Exchanges for such foreign passengers will be limited to amounts not exceeding \$10 in any 1 day during periods of detention at stations en route. Extension of this privilege to foreign personnel under the conditions herein described does not constitute the inclusion of such groups as "authorized personnel" within the scope of paragraph 3a.

### Section III

#### LIMITATIONS OF FORM IN WHICH PERSONAL FUNDS MAY BE CARRIED BY AUTHORIZED PERSONNEL LEAVING UNITED STATES

	Paragraph
Method of carrying personal funds overseas.....	6
Purchase of foreign exchange prior to departure.....	7
Maximum amount of British currency notes which may be imported into United Kingdom.....	8
United States currency in Latin American countries.....	9

6. METHOD OF CARRYING PERSONAL FUNDS OVERSEAS. *a.* Except for small amounts not exceeding \$50 in United States currency, authorized personnel leaving the United States for duty overseas will carry any additional personal funds in the form of—

- (1) United States military disbursing officers' payment orders,
- (2) United States postal money orders, or
- (3) Travelers' checks, as specified in paragraph 4.

Strict enforcement of these provisions should be effected at sea and aerial ports of embarkation during briefing and processing of all personnel prior to departure for oversea destinations.

*b.* Postal money orders should be drawn on the postmaster in care of whom mail for the individual will be addressed. Army finance offices, Army post offices, and Army exchanges are the authorized agencies for the cashing of such checks and money orders, and such instruments, upon cashing, will be handled in accordance with the procedure set forth in paragraph 18.

7. **PURCHASE OF FOREIGN EXCHANGE PRIOR TO DEPARTURE.** Since adequate Army finance facilities are available abroad for the conversion of United States currency and dollar instruments into foreign currencies, authorized personnel will not purchase foreign exchange prior to departure from the continental United States.

8. **MAXIMUM AMOUNT OF BRITISH CURRENCY WHICH MAY BE IMPORTED INTO UNITED KINGDOM.** *a.* Authorized United States personnel traveling to Great Britain and Northern Ireland from other oversea areas are advised that British Finance regulations prohibit the importation into Great Britain and Northern Ireland, by an individual, of British currency in excess of 10 pounds.

*b.* The regulations referred to in *a* above are rigidly enforced, and, except where exemption has been granted by the British Treasury, British currency in excess of 10 pounds will be liable to confiscation.

9. **UNITED STATES CURRENCY IN LATIN AMERICAN COUNTRIES.** Latin American countries exercise control over both imports and exports of United States dollar currency, and authorized personnel passing through these countries should be supplied with travelers checks or military payment orders for use enroute.

## Section IV

### INSTRUCTIONS GOVERNING EXCHANGE OF CURRENCIES

	Paragraph
Exchange of United States currency on arrival in foreign theaters.....	10
Exchange of foreign currencies in oversea theaters.....	11
Exchange of foreign currencies within continental United States.....	12
Exchange of currencies for personnel of War Shipping Administration vessels .....	13
Exchange of official and quasi-official funds.....	14

10. **EXCHANGE OF UNITED STATES CURRENCY ON ARRIVAL IN FOREIGN THEATERS.** Authorized personnel proceeding from continental United States to oversea destinations in which United States currency is not used for the pay of military personnel will be required on arrival to exchange United States currency in their possession in accordance with regulations established by commanders of the theaters concerned.

11. **EXCHANGE OF FOREIGN CURRENCIES IN OVERSEA THEATERS.** *a.* Disbursing officers in oversea areas will accept from authorized personnel, in accordance with appropriate War Department and theater exchange control regulations, local currency at the rates of exchange prescribed in paragraph 15, for dollar remittances to the United States as personal transfer account transmittals; or in exchange for military payment orders, or U. S. Savings Bonds; or regular United States currency for personnel returning to the United States. Disbursing officers in oversea theaters, however, will satisfy themselves prior to making exchanges that such currency was acquired by the individual requesting exchange only as his cash pay and allowances, or in exchange through official channels for another currency received as his cash pay and allowances, or by cashing dollar instruments through official channels. The form illustrated in paragraph 12*a* may be used for this purpose.

*b.* Army personnel in oversea areas are cautioned against sending foreign currency by mail or courier to addresses in the United States. The recipients thereof are not considered "authorized personnel" as

defined in paragraph 2a of this circular, and Army disbursing officers in the United States will not exchange such currency for holders who have received it in this manner. Since it is desirable to retain such currency in the area where used, Army personnel who wish to transfer money to the United States will exchange foreign currency for dollar remittances, using any of the methods now provided through Army channels, and foreign currencies that are deliberately sent to the United States in contravention of the above instructions will not be exchanged through Army channels.

c. Where excessive amounts of local currency are presented for conversion, in relation to the pay scale of the individual concerned, disbursing officers will require the execution of appropriate certificates and/or affidavits by the applicant establishing that such currency was obtained by him only from the foregoing specified sources. In those areas where individual Currency Exchange Control Books have been issued, disbursing officers in such areas will be guided by the specific regulations applicable thereto. When a disbursing officer in an oversea area is not satisfied as to the reasonableness of the amount, or as to the legitimacy of the source, or as to the legal tender status of the currency presented, or as to any other phase of the certificate, affidavit, or other document submitted by the individual requesting the exchange, the request should be referred to the theater fiscal director or other appropriate authority designated by him.

d. Where exchanges are effected involving foreign currencies of areas other than that in which the disbursing officer is located, on the basis of rates prescribed in paragraph 15, satisfactory proof of the legitimacy of the source from which such currencies were obtained will be required.

e. Authorized personnel returning to the United States from oversea areas will exchange all foreign currencies in their possession, derived from United States official sources and eligible for exchange, with Army disbursing officers at oversea ports of embarkation, for regular United States currency or military payment orders.

f. In the case of personnel evacuated to the United States from oversea hospitals, funds of patients will be converted, prior to evacuation, into military payment orders or United States currency by disbursing officers or agent officers.

g. In the case of authorized personnel departing from one oversea area for another, foreign currencies, derived from United States official sources and eligible for exchange, or regular United States currency in their possession, shall be exchanged prior to departure for military payment orders or for small amounts in cash in the form of United States yellow seal currency. Upon arrival at destination where United States currency has not been definitely authorized by the War Department as a medium of exchange for military purposes, military payment orders may be, and yellow seal currency must be, promptly converted through disbursing officers into local currency of the area concerned.

h. The Government of the Union of Soviet Republics prohibits the carrying of rubles from that country. Military personnel prior to departing from the Union of Soviet Socialist Republics after completion of duty therein will exchange, at Army disbursing offices, all rubles in their possession for United States dollars or dollar

instruments. Army disbursing officers located outside the Union of Soviet Socialist Republics are not authorized to accept rubles for exchange, and all requests for such exchanges will be reported to the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C.

i. Disbursing officers in overseas areas to whom European Theater currencies and Italian lira currency are presented for exchange will require presentation of individual Currency Exchange Control Books in accordance with procedure established in paragraph 12g.

12. EXCHANGE OF FOREIGN CURRENCIES WITHIN CONTINENTAL UNITED STATES. a. In cases where evacuated patients or other authorized personnel return to the United States with foreign currencies in their possession which for valid reasons they were unable to exchange prior to departure from overseas areas in accordance with provisions of paragraph 11c, disbursing officers within the continental United States are authorized to accept such foreign currencies in reasonable amounts for exchange, provided that the applicant proves to the satisfaction of the disbursing officer that the statements contained in his request for exchange are true and correct. When such a request is made for the exchange of foreign currency, WD AGO Form R-5346, illustrated below, will be used. This form will be reproduced locally by spirit or mimeograph duplicating process, size 8 by 10½ inches. The number, title, and date will appear on all reproductions of the form.

#### REQUEST FOR EXCHANGE OF FOREIGN CURRENCY

I, Name (Last, first, middle initial) ----- Army Serial No. --- Component ---  
Grade ----- Organization (if not a member of U. S. Armed Forces, explain) ---  
Number of Months Overseas -----

- |  |   |
|--|---|
| <p>1. Request exchange of foreign currency<br/>a. Type. b. Denomination. c. Amount.<br/>-----<br/>-----<br/>-----<br/>d. Received by me, from an Army Disbursing Officer, in (country) -----<br/>e. On (approximate date) -----<br/>f. While with (organization) -----<br/>g. As net cash Army pay &amp; allowances (amt) -----<br/>h. As exchange for dollar instruments cashed through Army channels (amount) -----<br/>i. From other transactions anywhere as explained below (amount) -----<br/>j. At the exchange rate of -----<br/>2. I exchanged in preparation for and immediately prior to leaving theater, foreign currency as follows:<br/>a. Types -----<br/>b. At (camp or station) -----<br/>c. For dollars (amount) \$ -----<br/>3. I departed theater for U. S.<br/>a. on (date) -----<br/>b. From (port) -----<br/>c. While with (organization) -----</p> | <p>d. And did not exchange this currency prior to departure from theater because (explain in detail) -----<br/>4. I have requested exchange of this currency in U. S.<br/>a. At (location of Finance Office) ---<br/>b. Where exchange was declined because -----<br/>5. I was not issued a Currency Exchange Control Book because (explain) -----<br/>6. I was issued a Currency Exchange Control Book and it<br/>a. Is located (where) -----<br/>b. Shows available balance for exchange of (amount) \$ -----<br/>c. Or was marked "FINAL PAYMENT" at (camp or station) -----<br/>7. My monthly net cash Army pay and allowances drawn while stationed in the overseas area mentioned in 1d above was (amount) \$ --- per month.<br/>8. Of the total net amount drawn while overseas, I transmitted to the U. S. a total of (approximate amount) \$ ---</p> |
|--|---|

9. If any of the currency listed under 1 above is of "old issue" and/or if a rate of exchange higher than the current approved rate is requested, explain why the currency was not exchanged during the proclaimed conversion or devaluation period.

10. Remarks (Additional pertinent data may be shown here)-----

Section 35 (A) of the Criminal Code (18 U. S. C. 83) makes it a criminal offense, punishable by a maximum of 10 years' imprisonment, \$10,000 fine, or both, to make a false statement or representation to any department or agency of the United States as to any matter within the jurisdiction of any department or agency of the United States.

I do (certify) (solemnly swear) (affirm) that the above answers to questions propounded are to the best of my knowledge and belief true and correct in all respects.

(Strike out parenthetical words not applicable)

Permanent address----- Date----- Signature (A)-----

Subscribed and sworn to before me at-----this-----day of-----

10-----

[SEAL]

Signature (B)-----

Title-----

I hereby approve the above certificate. Signature (C)-----

Date----- Title----- ASN-----

This form may be considered as any one of the three following types of documents, depending upon the signatures thereto. The letters in parentheses below refer to the correspondingly lettered signature blocks above.

1. As a certificate it needs to be signed only by the individual (A) requesting exchange.

2. As a sworn affidavit it must be signed by the individual (A) and by the official administering the oath (B). The latter may be Army personnel so authorized by AR 25-300 or any notary public.

3. As an approved certificate it must be signed by the individual (A) and the approving officer (C).

b. Disbursing officers are informed that the only foreign currency considered eligible for exchange into dollars under item 1 of WD AGO Form R-5346 above is currency received by the individual as his cash pay and allowances, or in exchange through official channels for another currency received as his cash pay and allowances, or by cashing dollar instruments through official channels, and disbursing officers to whom foreign currencies are presented for exchange will satisfy themselves prior to making exchanges that such currencies were acquired by the individual holders only through the foregoing specified sources.

c. Group exchanges.

(1) In dealing with large groups of military personnel returned to the United States, when such personnel are members of the same troop unit and when the legitimacy of their possession of foreign currency has been definitely established by unit commanders or other adequate authority, a limitation of 1 month's unencumbered pay and allowances should normally be used by disbursing officers as a standard measure for such exchanges. In such cases, amounts in excess of 1 month's cash pay and allowances should be exchanged only upon careful investigation and full substantiation that the excess was obtained only through the foregoing specified sources. In effecting such group exchanges, certificates, and/or affidavits prescribed by this circular and other current directives will not be required of each individual in the group when the amount of foreign currency presented by each individual for exchange does not exceed 1 month's unencumbered pay and allowances, and when the currency involved

has not been withdrawn from circulation or replaced by a new currency through a currency conversion program in the country concerned. However, appropriate certificates and/or affidavits will be required of any individual in such groups who requests the exchange of amounts in excess of 1 month's cash pay and allowances, or who requests the exchange of currency which has been withdrawn from circulation or replaced by a new currency through a currency conversion program in the country concerned, or who requests a rate of exchange different from the current approved rate.

(2) In all cases where individuals, as distinguished from groups of military personnel as defined above, present foreign currency for exchange, each person requesting exchange should be required to execute appropriate certificates and/or affidavits, prescribed by this circular and other current directives, regardless of amount, and should be required to substantiate adequately why he has any foreign currency in his possession, as regulations of all overseas theaters prescribe that foreign currency should be exchanged prior to departure from the theater of origin.

*d.* When the disbursing officer is not satisfied as to the reasonableness of the amount, or as to the legitimacy of the source, or as to the reasons why the currency could not have been exchanged prior to leaving the theater, or as to the legal status of the currency presented, or as to any other phase of the certificate and/or affidavit submitted by the individual requesting the exchange, the request should be referred to the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C.

*e.* Since at this time evacuation of wounded personnel from overseas theaters has been almost completed, the number of personnel arriving in the continental United States with legitimate reasons for not having exchanged foreign currency in their possession prior to leaving an overseas theater, should be considerably reduced and all requests for exchange should therefore be carefully scrutinized.

*f.* Army disbursing officers are authorized to exchange foreign currency presented by officials in charge of military hospitals, or their properly designated representatives; provided such currency is accompanied by a statement satisfactorily outlining the circumstances under which the foreign currency was brought into the United States, and evidencing that such currency was received by a member of the United States armed forces, who is currently a patient in such hospital, only through the foregoing specified sources.

*g.* No European Theater currencies and no Italian lira currency should be accepted for exchange except upon presentation of a Currency Exchange Control Book issued by the European Theater to all personnel stationed within that theater and issued by the Mediterranean Theater to all personnel stationed outside the Balkan States. This book indicates the maximum dollar equivalent of such foreign currencies in possession of an individual eligible for conversion into dollars. When such a currency is presented for exchange and is not accompanied by a Currency Exchange Control Book, the individual requesting exchange will be required to execute in addition to other appropriate certificates and/or affidavits a sworn affidavit establishing the reason why he has no such book in his possession. If the individual

states that he was not issued a Currency Exchange Control Book while stationed in the European or Mediterranean Theaters he should establish in aforementioned sworn affidavit that he departed from the European Theater prior to 20 November 1945, or that he departed from the Mediterranean Theater prior to 15 February 1946, as the case may be, and no Currency Exchange Control Book was ever in his possession. It will be noted that a properly executed WD AGO Form R-5346, illustrated in paragraph 12a, makes provision for such information. If the individual states that his Currency Exchange Control Book was lost or destroyed, WD AGO Form R-5347, illustrated below, will be used. This form will be reproduced locally by spirit or mimeograph duplicating process, size 8 by 10½ inches. The number, title, and date will appear on all reproductions of the form.

### AFFIDAVIT FOR EXCHANGE OF FOREIGN CURRENCY

#### WHEN CURRENCY EXCHANGE CONTROL BOOK HAS BEEN LOST OR DESTROYED

I, Name (Last, first, middle initial) \_\_\_\_\_ Army  
Serial No. \_\_\_\_\_ Component \_\_\_\_\_ Grade \_\_\_\_\_ Organization \_\_\_\_\_  
(If other than member of U. S. Armed Forces, explain your connection with  
U. S. Government) \_\_\_\_\_

Being first duly sworn according to law, do depose and say that—

1. My currency exchange control book has been \_\_\_\_\_ and that  
(lost or destroyed)

\_\_\_\_\_ which I have in my possession does not exceed  
(amount and type of currency)

the balance on my old book in the type of currency involved less amounts exchanged, transmitted, or converted into dollar instrumentalities since the book was lost or destroyed and that this currency was obtained only from cash pay and allowances received in the \_\_\_\_\_ and money lawfully im-

ported into that theater.  
(designation of theater)

2. Remarks (Enter other pertinent data not shown above) \_\_\_\_\_

Section 35 (A) of the Criminal Code (18 U. S. C. §3) makes it a criminal offense, punishable by a maximum of 10 years' imprisonment, \$10,000 fine, or both, to make a false statement or representation to any department or agency of the United States as to any matter within the jurisdiction of any department or agency of the United States.

I do solemnly swear (or affirm) that the above statements are to the best of my knowledge and belief true and correct in all respects.

Grade and Organization \_\_\_\_\_ Signature \_\_\_\_\_

Subscribed and sworn to before me at \_\_\_\_\_ this \_\_\_\_\_  
day of \_\_\_\_\_ 19 \_\_\_\_\_

[SEAL]

Signature \_\_\_\_\_

Title \_\_\_\_\_

If an individual requesting exchange has permanent change of station orders from the area covered by his Currency Exchange Control Book, such individual will be instructed to present all of the foreign currencies in his possession which he will ever desire to exchange, that are applicable to the balances available in his book. The dollar equivalent of the total amount of foreign currencies so exchanged will be entered in the appropriate columns and the Currency Exchange Control Book clearly stamped or marked "FINAL PAYMENT." The book will be returned to the individual with the instruction that, if an enlisted man, he should return the book to his personnel officer for attachment and forwarding with his records; or, if a civilian, he should retain the book for future reference. If the individual requesting exchange is an

officer, he should be instructed to attach or cause to be attached the Currency Exchange Control Book to his officer's qualification card. If it is determined upon an examination of the individual's orders that he is merely on leave, temporary duty, or detached service from the theater, the disbursing officer effecting the exchange should make appropriate entries in the Currency Exchange Control Book and return it to the individual to be kept in his possession. Such entries should clearly indicate in column 9 the location of the disbursing officer effecting the exchange. Currency Exchange Control Books will be required in all cases where the foregoing currencies are presented for exchange, and the group exchange procedure authorized by *c* (1) above does not constitute an exception. Appropriate certificates and/or affidavits prescribed by this circular and other current directives will also be required.

13. EXCHANGE OF CURRENCIES FOR PERSONNEL OF WAR SHIPPING ADMINISTRATION VESSELS. *a.* Army disbursing officers are authorized to effect exchange of foreign currencies for the benefit of officers and crews of vessels operated for or on behalf of the War Shipping Administration when such currencies are presented for exchange on a bulk basis by masters or pursers of such vessels, in accordance with the procedure outlined in *b* below, as established by the War Shipping Administration in coordination with the War and Navy Departments.

*b.* When the master or purser of a War Shipping Administration vessel delivers foreign currencies collected by him from officers and crew members, to Army disbursing officers, WD AGO Form R-5348, illustrated below, will be used. This form will be reproduced locally by spirit or mimeograph duplicating process, size 8 by 10½ inches. The number, title, and date will appear on all reproductions of the form.

#### REQUEST FOR EXCHANGE OF FOREIGN CURRENCY

BY MASTER OR PURSER OF A WAR SHIPPING ADMINISTRATION VESSEL

I, Name (Last, first, middle initial) \_\_\_\_\_  
 Title \_\_\_\_\_ Name of vessel \_\_\_\_\_

1. Herewith tender to \_\_\_\_\_  
 (Name and location of Army disbursing officer)  
 the following types, denominations, and amounts of foreign currency:  
     *a.* Type \_\_\_\_\_ *b.* Denomination \_\_\_\_\_ *c.* Amount \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

2. For which your check is requested, at the current authorized rate of exchange,  
 drawn on the Treasurer of the United States and payable to "\_\_\_\_\_  
 (Name of agent)  
 \_\_\_\_\_ for the account of the War Shipping Administration."  
 (Operating vessel)

3. I hereby certify that the currency tendered is not in excess of like currency  
 drawn as advances against pay by officers and crew of the SS \_\_\_\_\_  
 during the voyage commencing \_\_\_\_\_ and represents unexpended  
 (Date)  
 portions of such advances which have been credited by me, at the current  
 authorized rate of exchange, to the pay accounts of the officers and crew of this  
 vessel from whom the currency was received.

4. Remarks (Enter any other pertinent data not shown above) \_\_\_\_\_  
 Date \_\_\_\_\_ Title \_\_\_\_\_ Signature \_\_\_\_\_

c. In exchange for foreign currencies (listed in par. 15) and the accompanying certificate, the disbursing officer will issue his Treasury check payable to the order of the designated agent as shown on the certificate. The object for which drawn will be stated as "exchange for cash," followed by "Foreign Funds, S. S. \_\_\_\_\_" and the name of the master or purser of the vessel to whom the check was delivered.

d. Army disbursing officers are not authorized henceforth to exchange foreign currencies for individual merchant seamen, except in the event of a casualty or other emergency circumstances whereby they may have been separated from their vessel or unavoidably prevented from effecting exchanges as provided in *b* above. In such exceptional cases an affidavit will be required from the holder as to the legitimacy of the source of the foreign currency in his possession and as to the reason why it was not presented by him to the master of his vessel for conversion.

14. EXCHANGE OF OFFICIAL AND QUASI-OFFICIAL FUNDS. When a request is made of a disbursing officer to exchange foreign currencies representing a part or the entire amount of official or quasi-official funds, including official Red Cross funds, WD AGO Form R-5349, illustrated below, will be used. This form will be reproduced locally by spirit or mimeograph duplicating process, size 8 by 10½ inches. The number, title, and date will appear on all reproductions of the form.

#### REQUEST FOR EXCHANGE OF FOREIGN CURRENCY BY CUSTODIAN OF AN OFFICIAL OR A QUASI-OFFICIAL FUND

I, Name (Last, first, middle initial) \_\_\_\_\_ Army Serial No. \_\_\_\_\_ Component \_\_\_\_\_  
Grade \_\_\_\_\_ Organization (if other than a member of the US Armed Forces, explain) \_\_\_\_\_

Being custodian of the (name of fund) \_\_\_\_\_

1. Request exchange of the following foreign currency:

a. Type	b. Denomination	c. Amount
-----	-----	-----
-----	-----	-----
-----	-----	-----

2. For (type of currency desired) \_\_\_\_\_

3. Because (reason for requesting exchange) \_\_\_\_\_

4. I hereby certify that the above statements are to the best of my knowledge and belief true and correct in all respects, and that the fund was derived only from authorized sources by normal operations and that no personal funds are included.

Date \_\_\_\_\_ Title \_\_\_\_\_ Signature \_\_\_\_\_

### Section V

#### CURRENCIES ELIGIBLE FOR EXCHANGE AND RATES OF EXCHANGE

	Paragraph
Rates of exchange (approved) _____	15
Nonlisted rates of exchange _____	16
Rates of exchange for voucher disbursements _____	17

15. RATES OF EXCHANGE (APPROVED). a. The approved rates of exchange authorized for use by Army disbursing officers, in effecting

the transactions referred to in paragraphs 3 and 4, are shown opposite the named currency unit of each country in the following list:

Country or political area	Monetary unit	Value (United States dollars)
Algeria and Tunisia	Franc	.008406
Aruba, Netherlands West Indies	Gulden or florin (guilder)	.511208
Australia	Pound	3.228
Austria	Schilling	.10 (provisional military)
Azores Islands (Portugal)	Escudo	.0105
Barbados, British West Indies	B. W. I. dollar	.84477
Belgian Congo	Congolais franc	.02201
Belgium	Franc	.022445
Bermuda	Pound	4.04
Brazil	Cruzetro	.05102
Burma	Rupco*	.302627
Canada	Dollar	.9091
Ceylon	Rupco	.302627
Curacao, Netherlands West Indies	Gulden or florin (guilder)	.530504
Czechoslovakia	Koruna (krona)	.02
Denmark	Krona	.209338
East Africa, British	Shilling	.20225
Egypt	Pound	4.138473
Fiji Islands	Pound	3.6433
France (Metropolitan)	Franc	.008406
Germany	Mark	.10 (provisional military)
Gibraltar	Pound	4.035
Great Britain and Northern Ireland	Pound sterling**	4.038
Gulana, British	B. I. dollar	.84477
Gulana, French	Franc	.008406
Gulana, Netherlands (Surinam)	Gulden or florin (guilder)	.53331
Iceland	Krona	.1745
India	Rupco***	.302627
Iran	Rial	.01125
Iraq	Dinar	4.0125
Italy	Lira	.001444
Jamaica	Pound	4.05
Japan and Japanese outlying islands	Yen	.000007 (provisional military)
Korea	Yen	.000007 (provisional military)
Luxembourg	Franc	.022445
Morocco, French	Franc	.008406
Netherlands (Holland)	Gulden or florin (guilder)	.377415
New Caledonia	Franc	.62
Newfoundland	Dollar	.9091
New Guinea, British	Australian pound	3.228
New Guinea, Netherlands East Indies	N. E. I. gulden (guilder)	.53092
New Zealand	Pound	3.2442
Norway	Krone	.20175
Pakistan	Pound	4.04077
Philippine Islands	Peso	.50
South Africa, Union of	Pound	4.038
Straits Settlements	Straits dollar	.47075
Sweden	Krona	.23845
Switzerland	Franc	.2331
Syria	Pound	.457095
Trinidad, British West Indies	B. W. I. dollar	.84477
Turkey	Pound	.55171
Union of Soviet Socialist Republics	Ruble (see Par. 11A)	
West Africa, British	Pound	4.055
West Africa, French	Franc	.01226

\*Exchange limited to escudo notes issued by Banco de Portugal.

\*\*Special Military Administration of Burma rupco currency, eligible for exchange, includes:

a. Reserve Bank of India 5, 10 and 100 rupco notes and Government of India one rupco notes bearing the inscription, "Military Administration of Burma—Legal tender in Burma only;" and

b. Notes in denominations of four annas and eight annas (one rupco equals sixteen annas) bearing the inscription "Military Administration of Burma."

\*\*\*Exchange limited to Bank of England and Bank of Scotland notes in denominations of less than 10 pounds.

\*\*\*\*Exchange limited to Reserve Bank of India and Government of India notes in denominations of less than 500 rupces.

d. As a supplement to the general provisions of this circular, the attention of all Army disbursing officers is invited to Finance Bulletin 97, 1945, and subsequent amendments or revisions, for descriptions and denominations of certain foreign currencies and the various certificates and/or affidavits prescribed for the exchange thereof.

10. **NONLISTED RATES OF EXCHANGE.** Disbursing officers will exchange no currencies other than those listed in paragraph 15, except

upon approval of the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C., which office will obtain the concurrence of the Treasury Department. Requests for such approval will be accompanied by affidavits of the applicants to the effect that the currencies were received by them as their cash pay and allowances, or in exchange through official channels for other currencies received as cash pay and allowances, or by cashing dollar instruments through official channels. If obtained through other than the foregoing specified sources, the affidavits will contain full details as to sources from which acquired.

17. **RATES OF EXCHANGE FOR VOUCHER DISBURSEMENTS.** The rates of exchange tabulated in paragraph 15 are for use in exchanging approved currency, coin, and dollar instruments. The rate of exchange to be used in computing the United States equivalent for actual voucher disbursements, expressed in terms of local currency, is the rate of exchange at which the local currency was obtained from the depository bank, and the procedure to be used in connection therewith is outlined in paragraph 92, TM 14-500, 15 May 1945.

## Section VI

### CLEARING OF NEGOTIABLE INSTRUMENTS AND OFFICIAL CHECKS

	Paragraph
Procedure for handling checks and money orders.....	18
Disposition of official checks.....	10

18. **PROCEDURE FOR HANDLING CHECKS AND MONEY ORDERS.** *a.* The designated travelers checks and money orders referred to in paragraph 4 will be stated or indorsed payable to the Treasurer of the United States.

*b.* Each theater or area commander outside the continental United States will designate a disbursing officer of his command as a central disbursing officer for clearing checks or money orders for the area.

*c.* Local disbursing officers cashing such checks or money orders will invoice the total thereof as cash, on WD Forms 326 and 327 (Invoice of and Cash Receipt for Funds Transferred), to the central disbursing officer supporting the invoice form with checks or money orders in the total amounts thus transferred.

*d.* The central disbursing officer will have duplicate photostatic copies made of all such checks or money orders retaining one copy thereof for his files, and forwarding the other direct to the Finance Officer, United States Army, New York, N. Y., or San Francisco, California, whichever is appropriate. The central disbursing officer will invoice to the Finance Officer, United States Army, New York, N. Y., or San Francisco, California, on WD Forms 326 and 327 as cash, the total amount of checks or money orders. The central disbursing officer will drop the amount so invoiced without waiting for receipt therefor.

*e.* The Finance Officer, United States Army, receiving such invoice and checks or money orders will take up the total thereof in his account as a cash transfer and will deposit the designated checks or money orders to his credit in the usual manner, or close the transaction with the local agencies of the issuing institutions.

*f.* The advance photostatic copies of the checks or money orders will be used as a record of accounts expected. When the original invoices with the supporting checks or money orders do not arrive within a reasonable time, and if investigation indicates that such checks or money orders have been lost, a tracer will be started for overdue accounts and the Finance Officer, United States Army, concerned will debit his account, as "Funds in Transit," filing a true copy of the advance photostatic copies with his account current and will file a claim against the institution whose checks or money orders have been lost, supporting such claim with the photostatic copies of the checks or money orders and with appropriate evidence indicating the loss of the originals.

*g.* In the event that the central disbursing officer is able to obtain credit for the checks invoiced to him either by a deposit on a Treasury Department Form 6599 in a designated general depository or by obtaining reimbursement in United States funds at par from the local paying agency of the issuing institution, the checks and money orders will not be invoiced to the Finance Officer, United States Army, in New York or San Francisco.

*h.* In areas where photostatic facilities are not available, the central disbursing officer, in lieu of photostatic copies, will prepare certified duplicate lists of checks and money orders, showing the name of the issuing institution, the serial number, the amount, the name of the purchaser of the check, or the name of the payee of the money order, and that the instruments are stated or indorsed payable to the Treasurer of the United States.

*i.* The certified lists will be used in accordance with the procedure for photostatic copies outlined above, as the issuing institutions have filed written agreements to accept either certified lists or photostatic copies of checks or money orders when evidence that the originals have been lost is presented to these institutions.

*j.* Finance officers may obtain specimen copies of designated checks and money orders from the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C., if not currently available in overseas areas.

**10. DISPOSITION OF OFFICIAL CHECKS.** *a.* Checks of disbursing officers, other than United States Treasury checks, drawn in their official capacities on designated depositories in Pacific areas and expressed in terms of local currency, accumulated in the North American continent by Army disbursing officers as a result of the exchanges authorized in paragraph 3, will be forwarded to the Finance Officer, United States Army, San Francisco, California, treating the transaction as a cash transfer.

*b.* Such checks drawn on designated depositories in all other foreign areas accumulated in the North American continent will be forwarded to the Finance Officer, United States Army, New York, N. Y., using the same procedure.

*c.* Checks drawn on limited depositories by disbursing officers in their official capacity and cashed by disbursing officers in foreign areas where clearance cannot be obtained through normal banking channels will be invoiced on WD Forms 326 and 327 to the central disbursing officer of the theater in which the instrument was drawn. Upon receipt of such checks in the office of the central disbursing officer, action will be taken to clear the checks either by deposit in a local bank

or by invoicing the checks on WD Forms 326 and 327 to the drawer or his successor, except that checks which have become "staled-dated" will be processed through liquidation accounts established or to be established in the theater or country involved.

### Section VII

#### DISPOSITION OF SURPLUS, MUTILATED, AND COUNTERFEIT CURRENCIES, SHIPMENTS, AND TECHNICAL QUESTIONS

	Paragraph
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20. **SURPLUS CURRENCIES (OVERSEAS).** *a. Surplus United States currency.* The theater fiscal director, on examination of the accounts current of the disbursing officers of his theater, will determine the amount of United States currency in excess of that normally used in the theater concerned, and will report such excess promptly to the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C. As determined by the theater fiscal director, the disbursing officers of that theater will transfer all such excess to the central disbursing officer of that theater, treating the transaction as a cash transfer, to be held pending the receipt of instructions from the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C.

*b. Surplus foreign currencies and coins.* Surplus foreign currencies and coins accumulated by disbursing officers will be forwarded to a disbursing officer in the country of issue and by the means prescribed in accordance with instructions of the theater fiscal director, treating the transaction as a cash transfer.

21. **SURPLUS CURRENCIES (IN UNITED STATES).** *a. Foreign currency notes of Pacific areas accumulated by Army disbursing officers in the North American continent will be forwarded via registered mail, and foreign coin of those areas will be shipped separately by safe means, to the Finance Officer, United States Army, San Francisco, California, treating the transaction as a cash transfer.*

*b. Foreign currency notes and coins of all other oversea areas accumulated by Army disbursing officers in the North American continent will be forwarded to the Finance Officer, United States Army, New York, N. Y., using the procedure outlined in *a* above.*

*c. Accumulations of foreign currencies by the Finance Officer, United States Army, San Francisco, California, or New York, N. Y., will be forwarded by safe means to a disbursing officer in the country of issue, to be designated by the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C., treating the transaction as a cash transfer.*

22. **MUTILATED CURRENCIES.** *a. Mutilated United States currency in overseas areas.* The regulations concerning mutilated currency are contained in paragraphs 5, 6, 7, 8, and 9, section II, Treasury Department Circular 55, revised, 25 October 1937, previously distributed

to all foreign theaters. Additional copies may be obtained from the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C.

(1) In those cases in which the mutilated currency is in the fully redeemable category, i. e., more than  $\frac{1}{2}$  of the original proportions remain, Army disbursing officers will transfer the currency to the central disbursing officer of the theater for transmission to a Federal Reserve Bank or to the Treasurer of the United States Currency Redemption Division, Washington 25, D. C. Disbursing officers are cautioned to determine that more than  $\frac{1}{2}$  of the entire note is presented before making such transfers, since the Treasury Department will not make reimbursement for more than the proportionate amount of the mutilated note presented. In case of doubt as to whether the note presented represents more than  $\frac{1}{2}$  of the whole note, it is recommended that such notes be handled on a collection basis as set forth in (2) below.

(2) In all other cases in which the fragments are less than  $\frac{1}{2}$  of the original proportions, the personnel presenting such currency to Army disbursing officers will be advised to forward them for redemption on a collection basis to the central disbursing officer of the theater concerned for disposition as set forth in (1) above. Affidavits setting forth all pertinent details will accompany the currency. The value allowed on such notes will depend upon the portion thereof remaining and reimbursement will be made to the holder at the address shown in the letter of transmittal.

*b. Mutilated United States currency within continental United States.* Army disbursing officers in the continental United States will dispose of mutilated currency in accordance with regulations as set forth in paragraphs 5, 6, 7, 8, and 9, section II, Treasury Department Circular 55, revised, 25 October 1937.

*c. Mutilated foreign currencies.*

(1) Army disbursing officers in overseas areas will exchange and dispose of all mutilated foreign currencies in the manner set forth in the regulations and instructions of the commanding general of the theater concerned, full cognizance being taken of the laws of the country whose currency is involved, as issued or promulgated by the theater fiscal director.

(2) Army disbursing officers in the continental United States will accept all mutilated foreign currencies for redemption on a collection basis and will ship all mutilated foreign currencies to the Finance Officer, United States Army, New York, N. Y., or San Francisco, California, whichever office is appropriate, who in turn will forward them for redemption on a collection basis to the central disbursing officer of the theater of the country of issue, as designated by the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C.

23. GOVERNMENT LOSSES IN SHIPMENT ACT. *a.* (1) Disbursing officers, agents, and others making shipments of currency and coin will make all shipments, whether by air, land or sea, under the "Government Losses in Shipment Act."

(2) The Government Losses in Shipment Act, approved 8 July 1937 (50 Stat. 480), section 7, subparagraph (b) (50 Stat. 481) reads—

The term "shipment" means the transportation, or the effecting of transportation, of valuables, without limitation as to the means or facilities used or by which the transportation is effected or the person to whom it is made, and includes, but is not limited to, shipments made to any executive department, independent establishment, agency, wholly or partly owned corporation, officer, or employee of the United States, or any person acting on his or its behalf or at his or its direction.

(3) Regulations are contained in Treasury Department Circular 577, 13 August 1937, copies of which may be obtained from the Office of the Fiscal Director, Army Service Forces, Washington 25, D. C. Particularly important are the instructions in paragraph 3 thereof which read—

*Preparation of shipment.* Each shipment must be inspected and verified by two responsible employees before final preparation for delivery to the carrier (to wit, before sealing, locking, etc.) and must be finally prepared for such delivery in their presence and before leaving their immediate control. In the case of any class of shipments with respect to which it is not possible or practicable to comply strictly with the foregoing requirements, it shall be the duty of administrative officers to make adequate provision, through the establishment of accounting controls, or otherwise, for the maintenance of basic records from which they will be in a position to prove to the satisfaction of the Secretary of the Treasury the exact extent of loss, destruction or damage, in the event that claim for replacement out of the Fund, or otherwise, shall be made. The foregoing requirements will apply irrespective of the carrier or method of transportation employed in making shipments.

(4) All shipments will be securely packed in a manner necessary to meet all requirements for air, land, or sea dispatch, whichever is used.

b. The attention of all disbursing officers and agent officers is directed to the provisions of WD Circular 51, 1945, Government Losses in Shipment Act.

c. To comply effectively with instructions contained in Treasury Department Circular 577, 13 August 1937, referred to in a (3) above, WD AGO Form R-5350, illustrated below, will be used. This form will be reproduced locally by spirit or mimeograph duplicating process size 8 by 10½ inches. The number, title, and date will appear on all reproductions of the form. Form R-5350 will be prepared and provided in not less than 3 copies in the following manner: One copy of the form will accompany the shipment of currency; one copy will be airmailed to the consignee as advance notice of shipment; and one copy will be retained by the consignor.

-----, 1946.

## OFFICE OF THE FINANCE OFFICER

Subject: Transfer of Foreign Currency, -----

To: Finance Officer, U. S. Army, New York, N. Y.

1. Pursuant to requirements of paragraph 23, WD Circular 64, 1946, the currency described below is being delivered this date to a U. S. post office for shipment by registered mail. WD Forms 326 and 327 are inclosed for the purpose of effecting a cash transfer to your account.

Country	Issued by	Type of currency	Monetary unit	Quantity of each "type of currency" by denomination										Monetary unit total	Rate of exchange	Value in U. S. dollars
				1	2	5	10	25	50	100	500	1,000	Misc.			
Canada.....	Bk. of Can.....	Note.....	Dollar.....	8		3	1							33	.9091	30.00
Belgium.....	Natl. Bk. of Belg.....	do.....	Franc.....							52				5,200	.022845	118.79
Italy.....	A. M. G.....	do.....	Lira.....	16		50				230				22,286	.004444	98.95
United Kingdom.....	Bk. of Eng.....	do.....	Pound.....	6		2								16	4.035	64.56
France.....	Bk. of France.....	do.....	Franc.....	83					180	5	19	117		136,053	.008406	1,143.91
Total.....																1,456.21

2. Certifications by two responsible persons (civilian or military), who verified the contents and witnessed the sealing of the package, follow:

We, the undersigned, hereby certify that we have this day separately verified the amount of currency described above, that the total amount was found to be as listed, and that we have witnessed the sealing of the package.

Symbol No. -----

-----, Finance Officer.

## CURRENCY EXCHANGE CONTROL REGULATIONS

22 MARCH 1946.

From: CG, USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 3942.

From USFET for action AGWAR for SERVVIS Ref nr S 3942 rourad W 98873 signed McNarney cite SOFDD.

It is recommended that cases meriting consideration be disposed of in accordance with provisions of paragraph 12, War Department Circular number 64 dated 5th March 1946. Investigation of individual claims in most instances impracticable in this theater and appeal facilities as provided by Circular 139 deemed adequate. It is further recommended that claims under the provisions of paragraph 12 be not favorably considered if individual is unable to produce Currency Exchange Control Book.

End

Action. ASF.

Info. Budget Division.

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SCRIPT CURRENCY

1 OFD USFET G-1 USFET 6 Mar 1946.

1. *References:*

a. W-96908 (SMC in 7071) from AGWAR: Par. 2 of this cable suggests use of coupon books as money medium in the occupied zone to cover all retail transactions into currency control.

b. W-978021 (SMC in 10532) from AGWAR: Par. 5 of this cable states that U. S. Treasury is about to propose to the WD a new military script. Discussion in the cable on use of this script is speculative and does not suggest a firm picture of theater application of the script.

2. *Discussion:*

a. The question of script vs. coupon currency is an integral part of the major issue of currency control. It is already accepted by the theater that more rigid currency control measures should be adopted than have heretofore been enforced in order to stop the transmittal of improperly acquired foreign currency as dollars.

b. The main loophole in the theater control program making possible improper transmittal of dollars is the fact that under USFET Cir. 180, 1945, currency control book holders are not required to have entered in their books (as reducing items against the free balance) retail transactions such as PX rations, mess purchases at gift shop, QM Sales Store, etc. The result is that if the individual has access to black market currency through sale of ration items, personal property, etc., he can transmit dollars against the free balance in his currency book left available through non-posting of the referred to retail transactions.

c. Three methods are available for stopping currency control loopholes:

(1) Method I: By substituting for the present theater currency control book a bank-type book with several pages: this is to be carried on the person and submitted for posting of the usual increasing entries

(pay and allowances, cashing of dollar instruments, etc.) for posting of reducing items such as PTA, money order transmittals, etc.; *But also* for posting of all retail transactions (PX, Sales Store, etc.) over and above a stated value, such as, say, \$1.00. This scheme presents obvious drawbacks in that it is cumbersome, slows down retail transactions, is vexatious to individuals, and is open to falsification through book-holders tampering with book entries.

(2) Method II: By instituting all-purpose coupon books to be sold at designated places to authorized parties, subject to posting of the price of the coupon book in the currency control book, the coupons then to be the only acceptable tender at the mess, PX, QM Sales Store, etc. This device has some merit, but its administration entails complications of major proportions. Coupon banks must be established throughout the theater to sell coupon books to individuals and to receive coupon revenues of the various retail agencies, which could include civilian firms licensed to do business in the zone. Personnel overhead of coupon banks would be considerable and an elaborate settlement and clearance accounting system would have to be designed, operated, and periodically audited. It is doubted that the theater could provide personnel to accomplish these functions.

(3) Method III: By wholly abandoning mark currency as the official money medium in the occupied zone in favor of a script currency of exclusive US issue. This device would block out completely the point of currency difficulties in the US zone, namely, Russian-issue marks which, under the current system, must be redeemed by the US; they enter the finance officer's till through currency control loopholes. The principal difference between coupons (Methods II) and script is one of degree of application. Coupons cannot, for manifest reasons, be paid to personnel *at the pay table* as dollar equivalent cash currency; rather they must be sold (in a separate transaction) to individuals for the cash medium used at the pay table (i. e. for marks). On the other script currency under the plan here contemplated would be the payable paying a medium and would supplant mark currency. Script currency has peculiar and exclusive merits, and a few disadvantages, as outlined in the succeeding discussion.

d. Advantages of script currency follow:

(1) US Forces and its allied activities would finally have a currency of exclusive US issue, hence definitely a dollar backed currency. Every dollar of such currency, if not counterfeit, would be dollar backed at all times and all places, which is to say that Army activities as well as civilian agencies authorized to sell services to military personnel could negotiate or transmit or deposit revenues without having to prove legitimate source.

(2) Use of script would make possible the opening of branch banks by US banking institutions so that banking service could be made available to US Forces and associated employees. The Fiscal Director is presently studying the problem of US-type branch banking for the occupied zone.

(3) Script could be an originally designed script, or, yellow seal currency overprinted with "Germany", which would preclude its tender outside the occupied zone. It would *not* be negotiable to German holders, except possibly for barter among themselves or with US personnel. Barter with US personnel in PX rations, clothing,

etc., admittedly obnoxious, would not necessarily increase over the barter volume now in evidence through use of military marks.

(4) Currency control from the standpoint of exchange into currencies of adjacent neutral and liberated countries (or ordinary US dollars), and re-exchange back to script, would be simplified. Currency control books would no longer serve any purpose *in the US occupied zone*. An individual leaving the occupied zone could have his exchange of script to another currency recorded in the finance office either:

(a) By indorsement on the reverse side of his travel or leave orders, or

(b) By issuance of a simple form-card bearing his name and actual value of the script converted.

The latter method would seem preferable; on return to the occupied zone he would be allowed re-exchange back to script in an amount not in excess of that stated on the card, the card to be surrendered when he obtained his re-exchange.

(5) The normal currency control book, while still required outside the occupied zone, would gradually fall into disuse (except possibly in Italy) because:

(a) Complete withdrawal (except possibly from Italy) into the occupied zone is projected:

(b) Leave and TDY personnel would not require currency control book for reason in sub-paragraph (4) above.

e. Possible difficulties in use of script follow:

(1) Devaluation of indigenous German marks would result from German's bartering for dollar-backed script with their own currency. This would be detrimental to the German economy, but in any case the depressive influence on German indigenous currency already exist as the theater does *not* use or recognize for military purposes German indigenous currency. Responsibility of US Forces to support German indigenous currency is recognized, but US attitude in this respect does not concur at all points with other current feature of US Army occupation. For example, US Forces requisition supplies and services from German economy. Equivalent indigenous marks are thus placed in circulation, with resultant inflationary trend.

(2) Relations with friendly nations (particularly Russia) sharing in the German occupation would be adversely affected. Negotiability of Russian-issue marks would virtually disappear, inasmuch as US redemption of such marks through currency control leaks would stop. The weight to be accorded this factor is not known.

(8) Friendly nationals (British, French liaison personnel, etc.) who are paid in allied military marks, and are stationed in or visit in the US zone, would be without means to pay for mess, PX rations, etc., except through purchase of script with dollars or with their own native currency of equivalent value. However, if the theater does not adopt script, but does not adopt a currency control book device with posting of retail entries, or adopts a sales coupon system, the same problem will arise. Need to tighten currency control is obvious, and effective currency control in *any* form *must* require foreign nationals in US zone to pay with dollar-backed currency medium for services provided them by US Forces. This could be achieved through arrangements with countries concerned whereby *advances* (in script)

made to their nationals would be vouchered for reimbursement in dollars or other agreed-upon currencies at designated clearing points.

3. *Recommendations.*

a. That theater adopt policy, effective 1 July 1946, that US-issue AM marks will cease to be official pay medium of US and associated employed personnel and of US activities in the occupied zone.

b. That script currency be adopted effective 1 July 1946 for funding finance officers for servicing of US and Allied personnel and activities in US occupied zone.

c. That limited funding of finance officers in AM marks be continued from and after 1 July 1946, but principally for the purpose of providing the marks required by Licensed US commercial concerns operating in the occupied zone to pay their German civilian employees; such marks to be purchased by civilian concerns with dollar instruments.

d. That AM marks continue to be available for sale to US military and associated civilian personnel if they desire it, but with the understanding that exchange back to script will not be allowed.

e. That theater clear these proposals with the War and Treasury Departments (and State Department if necessary) and inform (through OMGUS) the nations participating in German occupation of the new US currency program.

f. That, upon approval and clearance of matter in preceding subparagraphs, OMGUS be required to arrange with US Treasury the details of design, printing, and stocking of script, such dispositions to be complete by not later than 31 May 1946.

g. That the new script be printed or engraved in denominations and sizes as follows: (full size): \$20; \$10; \$5; \$1; (2/3 Size): 50¢; 25¢; 10¢; 5¢.

h. That conversion program in the occupied zone (AM marks to script) be projected for the period 20-30 June 1946.

R. A. KOCH,

*Colonel, F. D., Theater Fiscal Director.*

FRankfurt 33256.

CIVILIAN PERSONNEL FOREIGN EXCHANGE CONTROLS

Hq ASF, OFD, Fiscal Control  
FFA Section, SPFBC 6053  
Capt. John H. Neill, Jr.

7 MARCH 1946.

COMGENUSFET, Main, Frankfurt, Germany.

COMGENMED, Caserta, Italy.

COMGENAMET, Cairo, Egypt.

Number: WARX 80190.

SERVFIS SPFBC recorads 78516 and 71871.

1. Subj this cable is foreign exchange controls for civilian personnel. (Recourads apply USFET only.) Prior to theater implementation of these instructions your comments requested earliest.

2. A. Controls referred to in paras 3 and 4 below do not refer to official transactions between Army disbursing officers and dis-

bursing officers of other U. S. governmental and semi governmental agencies but only to transactions between U. S. disbursing officers and individual civilian employees.

B. Transactions between individual civilian employees and disbursing officers of the employing agencies will be governed by instructions to be issued by the agency concerned. However all such transactions should be limited to those which are in accord with the spirit and practice of Army currency exchange procedures.

3. Different classes of civilian personnel will be subject to currency exchange controls as indicated in para 4 below. Countries where adequate commercial banking facilities are available will be so designated by your theater and the War Dept will be informed of such designation. For purposes of this cable such countries are referred to as "A" countries. Countries where adequate commercial banking facilities are not available are referred to as "N" countries.

4. A. U. S. civilian personnel of War Dept and Red Cross.

Personnel falling within this category regardless of country in which stationed should be subj to same controls as govern for mil personnel in your theater.

B. Other civilian personnel.

(1) Disbursing officers and Army postal authorities in "A" countries will not engage in any type of currency transactions whatsoever with other civilian personnel. Such civilian personnel will use commercial banking facilities for all currency exchange transactions.

(2) Exchanges of currency by Army disbursing officers for other civilian personnel in "N" countries will be limited to the following types of transactions.

(a) Exchanges of currency for other civilian personnel will be limited to sales of foreign currencies at official rates for dollars on dollar instruments. However in the case of a civilian employee of an agency other than UNRRA who is in receipt of a signed statement by the administrative officer of the agency employing said civilian stating that subj individual is leaving the country concerned on permanent change of station and when the individual requesting the exchange signs a certificate stating that currency of the "N" country presented for exchange has been received by him as his cash pay and allowances Army disbursing officers will be authorized to exchange a maximum of \$25 for currency of "N" country presented by the civilian employee.

(b) No foreign currency will be accepted from UNRRA personnel in exchange for dollars or dollar instruments. This procedure is necessary since UNRRA foreign currencies are obtained primarily as contributions from respective foreign countries and therefore no dollars are available to War Dept for purchase of such currencies.

End

Originator: ASF-Fiscal.

Distribution: CG AAF; OPD, G-1, CAD, Navy. Budget Division, Mr. Petersen.

# RADIOGRAM FROM TREASURY REPRESENTATIVES IN LONDON

WDSBU 123 Currency (7 Sep.  
45) 2250 General G. J.  
Richards, 2510.

10 March 1946.

CG, CDC Quarry Heights CZ.  
CG, USFET Main Frankfurt Germany.  
CG, USFMTO Caserta Italy.  
CG, USAF AMET Cairo Egypt.  
CG, USF IBT New Delhi India.  
CINCAFPAC Tokyo Japan.  
CG, USFCT Shanghai China.  
Number: WARX 80092.  
Signed WARBUD.

PART 1.—Following is radio just received by United States Treasury from Treasury representative in London "NIACT 2826 March 9 6 PM for Treasury from Taylor:

Key of British War Office informed Tomlinson today that interested British government departments have reached decision to introduce special issue of "Canteen money" for use of British Army of the Rhine. According to Key British were reluctant to introduce a new currency but felt that this step had to be taken to combat speculative activities of troops which continue on a deplorably large scale. That for the present scheme is designed primarily for Germany but will also be used by British units stationed in Holland, Belgium, and France. At a later period, scheme may be extended to British troops in other areas.

2. General provisions of scheme are as follows:

A. British troops will draw pay and allowances in Germany in "Canteen money" only.

B. "Canteen money" will specify that it is acceptable only at official canteens and organizations of the British Armed Forces, although this may be modified in view of problem raised in paragraph 8 below.

C. "Canteen money" may be freely converted through British Army channels into pounds sterling for remittances and other legitimate purposes.

D. British Army will withdraw from British troops all facilities for converting marks including Am marks and other local currencies into sterling or "Canteen money."

E. British troops will be able to obtain marks and other local currencies required for their purchases in local economy by converting "Canteen money" into marks or other local currency with British paymasters.

F. "Canteen money" will be denominated in pence, shillings and pounds. Smallest denominations will be 3 pence and largest denomination 1 pound. Consideration is being given to plastic 1 pence coins.

8. Key points out that in Berlin and other areas British soldiers purchase in American canteens and PX and American soldiers purchase from British organization. Key hopes that this can be continued and raises question as to whether "Canteen money" would be acceptable in American Army organizations and if so, should note specify that

they can be used in American organizations. He also points out that as British organizations will accept only "Canteen money", arrangements will have to be made to place a supply in the hands of United States Army finance officers. Key agrees to reimburse the United States Army in sterling or dollars for "Canteen money" accepted and United States Army in turn could obtain supplies of "Canteen money" against sterling or dollars.

4. It is suggested to Key that if decision is to accept "Canteen money" in American Army organizations, "Canteen money" might specify that it would be acceptable in "Organizations of the British Armed Forces and for other purposes as may be laid down by British Armed Forces." This will avoid any reference to Allied or American organizations on British canteen money.

5. Your attention is called to desirability of withdrawing reciprocal privileges to prevent dumping of marks held by British soldiers in American organizations or of closely controlling any reciprocal use of canteen money. If rate of 4 to 1 pound can be used in all transactions, price difficulties should be negligible.

6. Key stresses that British wish to proceed with printing of notes and hopes that we may be able to give him our comments by March 20 at the latest. Tomlinson informed Key that he hoped to obtain comments, if any, on paragraph 2, item B and paragraph 4 immediately. This would enable British to proceed with printing and other questions could be worked out subsequently.

7. It is requested that copy of this message be made available to General Richards of War Department soonest. Signed "Gallman."

PART 2.—Your comments on a similar proposal of United States Treasury were requested in WARX 99006.

PART 3.—With respect to British proposal your attention is particularly invited to paras. 3 and 4 of Treasury message concerning acceptability of British "Canteen money" in American organizations; and to para. 5 of Treasury message concerning dumping of marks held by British soldiers.

PART 4.—It is desired that immediate steps be taken to prevent British or any other Allied soldiers from dumping foreign currency of any kind in American installations and to rigidly enforce exchange control as it affects United States military and all other personnel who remit funds through United States Army and related facilities.

PART 5.—Your comments and recommendations are desired not later than 15 March on:

A. Speculative activities of American and Allied soldiers.

B. Presently existing means of attempting to control same and effectiveness of control.

C. Proposals contained in WARX 99066 (99051 to China) note: CRA 5242 from India-Burma, N 2022 from AMET and F 62237 from MTO already received.

D. Proposals contained in WARX 80092.

E. Any other plan or proposal you can advance.

End

Originator: Bud. Div.

Distribution: ASF-Fisc; CG, AAF; OPD; G-1; C of S.

## FINANCIAL PROCESSING DEPENDENTS OF MILITARY PERSONNEL

Hq. ASF Office Chief of Finance  
Fiscal Control Branch FPA  
SEC SPFBC Captain Massey  
72689.

MARCH 13, 1946.

CG USFET Main, Frankfurt, Germany.

Information:

SAC USFMTO, Caserte, Italy.

Number: WARX 80505.

COMGENUSFET signed SERVVIS SPFBC.

1. Following procedure established in MTO is proposed for European Theater to handle financial processing of dependents of Mil Pers who will shortly begin arriving your theater from US:

A. Cash funds in possession dependents upon arrival in theater will be exchanged for local currency by Army Disbursing Officer at Port of Debarkation upon identification of dependent.

B. Army Disbursing Officers in theater will be authorized to cash into local currency for dependents Travelers Checks and Money Orders of types specified par. 5a WD. Cir. 364, 1944. Army Postal Officers will be similarly authorized to cash Postal Money Orders for dependents into local currency.

C. If Mil Person upon whom individual is dependent is with dependent at time cash or dollar instruments are exchanged into local currency, dollar value of amts exchanged into local currency will be recorded by Fin Officer in currency control book of Mil Person. If Mil Person not present Fin Officer or Postal Officer will issue to dependent certificate showing date and amt exchanged. Dependent will be instructed to transmit certificate to Mil Person upon whom dependent who should present certificate to Personnel Officer in case individual is Enlisted Man or to Fin Officer in case individual is Officer to be recorded in his currency control book. Currency control books will not be issued to dependents.

D. Subsequent to arrival in theater dependents desirous of making remittances to U. S. will be required to have such remittances made by Mil Person upon whom dependent with appropriate entry being made in individual's currency control book. It should be pointed out to the dependents that any exchange of dollars outside official channels will deprive them of that amt for reconversion to U. S. dollars upon leaving the theater.

2. Concurrence or recommendations on proposed procedure requested earliest.

End

Originator: ASF-Fisc.

Distribution: ASF-Trans;

CG, AAF;

OPD;

G-1;

G-2;

G-4;

Navy (BUSANDA);

Bud Div.

## EXCHANGE OF FOREIGN CURRENCY

Hq ASF, OFD, Fiscal Control Br. FFA Section, SPFBC.  
Captain R E Leach, 6011.

13 MARCH 1946

CG 1 SVC Boston Mass.  
CG 2 SVC Governors Island NY.  
CG 3 SVC Baltimore Md.  
CG 4 SVC Atlanta Ga.  
CG 5 SVC Columbus Ohio.  
CG 6 SVC Chicago Ill.  
CG 7 SVC Omaha Nebraska.  
CG 8 SVC Dallas Texas.  
CG 9 SVC Ft Douglas Utah.

Information:

CG USFET Main Frankfurt Germany.

CG USFMTO Caserta Italy.

Number: WARX 80506.

From SERVVIS SPFBC.

Auth Pers who departed from European and Mediterranean Theaters subsequent to 19 Nov 45 and 14 Feb 46 respectively who have foreign currency to be exchanged and who say they were not issued a currency exchange control will be required to execute WDAGO Form R-5346 as shown in Cir number 64 WD 1946 and submit the form as a sworn affidavit with the foreign currency for which exchange is desired through normal channels to The Chief of Finance ASF Wash 25 DC for transmittal to the appropriate theater fiscal directors for final determination and disposition.

End

Originator: ASF-Fisc;

Distribution: ASF-Trans, CG AAF, OPD, G-1, G-2,  
Navy (BUSANDA), Bud Div, MDW.

## ARMY RECORDS TRANSMITTAL OF CURRENCY

13 March 1946.

From: HQ, USFET Main, Frankfurt, Germany.

To: War Department.

Nr: S 3275.

Ref S 3275 to for action AGWAR from USFET Main signed McNarney cite ETGAP.

Plan to open all Army records on transmittal of money from Theater to inspection by Treasury Department with view to assisting Treasury in stopping black market practice. Approval requested.

End

Action: Bud Div.

Info: CG, AA; OPD; G-2, ASF.

## INSPECTION BY TREASURY OF ARMY RECORDS

WDSS Bud Div WDSBU 333  
Mar 26) 2806 Lt Col Feyereisen,  
15 March 1946.

CG, USFET Main, Frankfurt, Germany.

Number: WAR 80846.

COMGENUSFETMAIN signed WARBUD reurad S 3275.

It is not clear as to how opening to inspection by Treasury of all Army records on transmittal of money from theater would assist you in enforcing currency exchange control and stopping black-market practices. Neither is it clear as to why Treasury made such broad request, if they did, rather than ask for specific information concerning transmittals. Accordingly Army records on transmittal of money from theater will not be opened by theater for Treasury Department inspection at this time. Request full information as to source and reasons for Treasury request and how Treasury proposes to use the information which might be thus ascertained.

Originator: Bud Div.

Distribution: ASF-Fis, OPD, G-2, C of S.

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INSPECTION OF POSTAL AND OTHER ARMY RECORDS

19 March 1946.

From: USFET Main, Frankfurt, Germany.

To: War Department.

Nr: S-3658.

From USFET Main to for action AGWAR Ref Nr S-3658 sgd McNarney cite ETGAP.

See your W-80846. Our S-3275 initiated without Treasury request. Plan was to invite Treasury to inspect postal and other records and the tax refund of COFBA as an aid in checking accumulation of funds to credit of individuals in zone of interior as an additional deterrent to black market activities. In view your message request withdrawn pending outcome matters discussed our S-3482 of 15 March 1946.

Action: Bud Div.

Info: CG AAF; ASF; OPD; G-1; G-2; C of S.

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EXCHANGE OF FOREIGN CURRENCIES

Hq ASF, OFD, Fiscal Control  
Br. FFA Sec, SPFBC 72689  
Capt. J. D. Massey

14 MARCH 1946.

CG, 1st SvC, Boston, Mass.; CG, 2nd SvC, Governors Island, N. Y.; CG, 3rd SvC, Baltimore, Md.; CG, 4th SvC, Atlanta, Ga.; CG, 5th SvC, Columbus, Ohio; CG, 6th SvC, Chicago, Ill.; CG, 7th SvC, Omaha, Nebr.; CG, 8th SvC, Dallas, Texas; CG, 9th SvC, Ft. Douglas, Utah; CG, EDC, Governors Island, N. Y.

DTG: 142144Z.

SERVFIS SPFBC.

Subj. is exchange of foreign currencies.

1. As authorized personnel are afforded several opportunities to transmit or exchange foreign currency en route to the US and as limitations of public law 554 (78th Congress) do not permit Army disbursing officers to exchange foreign currency in possession of individuals who were formerly recognized as authorized personnel the applications for exchange of foreign currencies from such individuals may not be accepted as exchange will have to be effected by such individuals through other than War Dept. channels.

2. In view of foregoing limitations it is imperative that every effort be made to exchange all foreign currencies eligible for exchange at oversea ports of embarkation in compliance with subparagraphs E, F, and G of para 11, cir no 64, WD, 5 Mar 1946. Final action on any complaints in regard to exchange will be taken in accordance with theater directives and personnel will not be instructed to wait and present their cases in the US.

3. However in exceptional cases where authorized personnel (mil and civilian) returning from overseas satisfactorily explain why they did not have the opportunity to exchange their foreign currency prior to departure for the US exchange of such currency may be made at current rates if the exchange control book of the individual concerned is available if the exchange is legitimate and if the exchange requested is within the allowable balance indicated on the book. The same satisfactory explanation will be required from authorized personnel arriving from theaters where no exchange control book is issued.

4. Cases that are not handled under the provisions of para 3 above and that appear to warrant further consideration will be referred to the Chief of Finance, ASF, Wash 25 DC. In referring such cases WD AGO form R-5346 as illustrated in cir no 64, WD, 5 Mar 1946 will be executed as a sworn affidavit and forwarded by individual while he is still recognized as authorized personnel along with the foreign currency and all pertinent data.

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#### EXCHANGE OF FOREIGN CURRENCIES

Hq ASF, OFD, Fiscal Control  
Br. FFA Sec. SPFBC 72689  
Capt. J D Massey

14 MARCH 1946.

CG, CDC, Quarry Heights, C. Z.; CG, SAWATC, Natal, Brazil; CG, USAF AMET, Cairo, Egypt; CG, USF IBT, New Delhi, India; CG, USFCT, Shanghai, China; CG, AD, Ft. Richardson, Alaska; CG, USFET Main, Frankfurt, Germany; CG, USFMTO, Caserta, Italy; CINCAFPAC, Tokyo, Japan; COMGENAFMIDPAC, Ft. Shafter; T. H.; CG, AFWESPAC, Manila, P. I.

Number: WARX 80605.

SERVIS SPFBC.

Subj is exchange of foreign currencies.

1. As authorized personnel are afforded several opportunities to transmit or exchange foreign currency en route to the US and as

limitations of public law 554 (78th Congress) do not permit Army disbursing officers to exchange foreign currency in possession of individuals who were formerly recognized as authorized personnel the applications for exchange of foreign currencies from such individuals may not be accepted as exchange will have to be effected by such individuals through other than War Dept channels.

2. In view of foregoing limitations it is imperative that every effort be made to exchange all foreign currencies eligible for exchange at oversea ports of embarkation in compliance with subparas E, F, and G of para 11, cir no 64, WD, 5 Mar 1946. Final action on any complaints in regard to exchange will be taken in accordance with theater directives and personnel will not be instructed to wait and present their cases in the US.

End

Originator: ASF-Fisc.

Distribution: CG AAF, OPD, G-1, G-2, CAD, Navy (BUSANDA),  
Bud Div, MDW.

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#### CURRENCY EXCHANGE CONTROL

14 MARCH 1946.

1. G-1, USFET (Main).

Chief of Staff, USFET.

14 Mar 46.

1. Attached hereto (Incl 1) is draft of proposed revision of Circular 139, this headquarters 10 October 1945, (incl 2), subject as above.

2. The salient changes contained in the proposed new circular and new currency control book (Incl 1a) to present regulations are as follows:

a. Books will be serially numbered. At time of issue, a record will be made thereof (showing amount of initial free balance) and filed with the individual's personnel records. All books will be strictly accounted for.

b. The books will be bound in a specially prepared cloth-backed paper and the pages will be of a semi tamper proof paper thereby reducing the possibility of counterfeiting.

c. All purchases from theater facilities in excess of fifty cents will be deducted from the free balance of the book. To facilitate this, exchanges, messes and so forth will establish credit systems where authorized or sell coupon books in advance for cumulative future purchases so that one debit entry will suffice.

d. Except for new arrivals in the theater and personnel returning from the ZI, the amount of imports through currency exchange shall not exceed the amount of previous currency export plus such pay and allowances as have been paid during absence.

3. Inclosure 3 is a draft of proposed cable to major subordinate commanders advising them of the prospective changes in currency control procedure herein discussed, for their information and advance planning.

4. All of the above contemplated action has been concurred in by the following officers or their representatives:

a. Fiscal Director

b. Budget Director

c. Chief of Finance Division OMGUS

5. With respect to paragraph 2c above, attention is invited to the fact that coupon books are not, per se, an additional factor in currency control. Their purpose is merely to facilitate debit entries in the current control book for purchases made from theater facilities. For this reason the proposed new circular and proposed cable, in effect, recommend their use where practicable.

Action recommended:

6. a. That Incl. 1 be approved for publication.

b. That Incl. 3 be approved for dispatch.

/s/ J. M. BEVANS.

Subject: Currency Exchange Control (Revised circular and control book).

For record only: The above note discusses briefly the proposed new currency exchange control regulations (revised circular and control book) and draws attention to a suggested cable to major subordinate commanders outlining one important point for their information and advance planning, prior to the effective date of the new regulations. Note recommends to the C/S that the contemplated action be approved.

(OM)

WRJ

18 Mar. 46.

HEADQUARTERS U. S. FORCES, EUROPEAN THEATER

Cir——

—AUGUST 1945.

### CURRENCY EXCHANGE CONTROL

1. *Rescission.* Messages, this Headquarters, reference S-16189, dated 7 August 1945; S-16592, dated 9 August 1945; and S-17234, dated 13 August 1945; are rescinded effective 15 September 1945.

2. *Purpose.* It is the policy of the Theater Commander to deny Army facilities for the transmission of funds derived from sources other than cash pay and allowances received in this theater, and money lawfully imported into the theater (Par. 7e, Sec. I, Cir. 364, WD, 8 Sept. 1944).

3. *Restriction on Exchange or Transmittal.* Pursuant to this policy, effective 15 September, 1945, all personnel in this Theater subject to U. S. military law are prohibited from exchanging currency or transmitting funds outside this theater except through U. S. Army Finance Officers, the Army Postal Service, or by the purchase of War Bonds. Any such exchange or transmittal, where cash is used, will be governed by this circular. For the purpose of this circular, this theater will be deemed to include only the liberated or occupied countries in this theater, plus the United Kingdom and Italy. Italy will be regarded as a liberated country.

4. *Issue of Book.* Commanders of all echelons will issue to all personnel within their command, a Currency Exchange Control Book. A supply of such books will be distributed as quickly as possible by this headquarters. A sample of such book, containing sample entries, is attached as Annex A to this circular.

5. *Initial Declaration.* a. Effective 15 September 1945, all personnel in this theater subject to U. S. military law will declare their holdings in currencies (including bank deposits) in this theater, by execut-

ing the affidavit or certificate on the front of the Currency Exchange Control Book.

b. Commission officers and all other personnel authorized to certify their own pay and allowance accounts, will execute the certificate; other persons will accomplish the affidavit.

c. The initial declaration, *when approved* as provided below, will be entered as authorized holdings in the Currency Exchange Control Book of the individual concerned, by the officer authorized to approve the declaration.

6. *Approval of Initial Declaration.* a. General officers may approve their own initial declarations.

b. Authority is delegated to commanders of all echelons down to company and similar unit levels, to approve initial declarations of military and civilian personnel under their command or jurisdiction, in amounts not in excess of the *net cash* pay and allowances drawn by the individual during the *three-month* period immediately preceding the time of declarations, less amounts transmitted outside this theater during such three-month period.

c. Initial declarations in excess of the amount above indicated will require the approval of the next higher administrative commander.

d. In the event such next higher administrative commander approves such declaration, his action will be final.

e. In the event such declaration is disapproved, the person concerned may appeal to the officer exercising general court-martial jurisdiction over him. Such officer will appoint a board of not less than three officers to review such action. The determination of such board, as approved or modified by the appointing authority, will be final.

7. In determining whether an initial declaration should be approved or disapproved, all concerned will be guided by the policy outlined in Par. 2 above. Money received from other sources, including profits from black-market operations, proceeds from the sale of property of any kind, and gambling profits are not considered as being within the terms of such policy.

8. *Custody of Books.* After the initial declaration has been approved and entered in the Currency Exchange Control Book, the book will be disposed of as follows: a. Commissioned officers, and all other personnel authorized to certify their own pay and allowance accounts, will retain their books in their personal possession.

b. In the case of all other personnel, the book will be retained by the personnel officer or certifying officer, except that it may be surrendered to the person in whose name it is issued when needed for a legitimate purpose (such as authorized travel to another country); it will be promptly taken up by the proper custodian when it has served such purpose.

9. *Subsequent Entries in Book.* a. Amounts paid to the owner of the book in Marks or Austrian currency will be entered in column 3, and amounts paid to him in currency of liberated countries or the United Kingdom will be entered in column 6, by the disbursing officer, agent officer, cashier, or other person who makes the payment, and the amount of the balance in column 5 or 8 will be increased accordingly. The person making the payment will authenticate such entries in column 9 b his initials or stamp. *All entries will be expressed in dollars.*

b. Similarly, amounts of marks or Austrian money transferred out of the theater, or exchanged for currency of liberated countries

or the United Kingdom, will be entered in column 4, and amounts of currency of liberated countries or the United Kingdom transferred out of the theater will be entered in column 7 by the officer, cashier, or other person who receives the money for exchange or transmittal; and the balance in column 5 or 8 will be reduced accordingly.

c. No entries will be made in the book on exchange of:

(1) German for Austrian money, or vice versa.

(2) Currency of any liberated country or the United Kingdom for currency of any other liberated country or the United Kingdom.

d. No exchange or transfer or deposit will be made of an amount greater than the last balance shown in column 5 or column 8, whichever is applicable.

e. No entries will be made in any of the columns in the inside of the book by the owner of the book or by any other person except authorized personnel, namely the officer, cashier, or other person who pays, exchanges, or transmits the money.

10. *New Arrival in Theater.* a. All Finance Officers exchanging currency from outside this theater into the currency of a country in this theater, for personnel arriving in the theater, will furnish such personnel with a statement in substantially the following form:

"I hereby certify that I have converted ---- dollars worth of ----- (name of country) money into ----- (name of country) currency for ----- (name, rank, and serial number), who has recently arrived in the European Theater."

Such certificates will be dated and signed by the Finance Officer, giving his disbursing symbol number.

b. The individual, upon arrival at his first station in this theater, will be issued by his unit commander a Currency Exchange Control Book; such individual will make an initial declaration of the amount stated in the certificate referred to in Par a above, and such amount will be approved as his initial declaration by the commander concerned.

11. *Departure from Theater.* a. Except as provided in Par b below, when any individual, upon departure from the theater, makes his final exchange of currency, his Currency Exchange Control Book will be stamped "VOID" and taken up by the Finance Officer making such exchange.

b. When the owner of a book goes on leave or temporary duty (not exceeding thirty days) to a European country outside this theater, or to North Africa, any currency of a country within this theater which he exchanges will be entered as in Par 9b above, but his book will not be stamped "VOID" nor taken up by the Finance Officer making the exchange. When such person returns to this theater, his exchange of outside currency for currency of a country in the theater will be entered as in Par 9a above.

12. *Space Exhausted in Book.* When space has been exhausted in any individual's Currency Exchange Control Book, he will be issued a new book with an initial balance equal to the final balance on his old book, but not more than the currency he then has in his possession (including bank deposits in this theater), which will be verified and

approved by the commander concerned; the old book will at the same time be taken up by such commander and marked "VOID."

18. *Loss of Book.* a. When a Currency Exchange Control Book has been lost or destroyed, the owner will execute an affidavit or certificate as follows:

"I \*(certify) (Solemnly swear) (affirm) that my Currency Exchange Control Book has been (lost) (destroyed) and that ----- (amount and type of currency) which I have in my possession does not exceed the balance on my old book in the type of currency involved, less amounts exchanged or transmitted from this theater since the book was lost or destroyed; and that this currency was obtained only from cash pay and allowances received in this theater, and money lawfully imported into the theater."

Upon execution of such affidavit or certificate a new book will be issued to such person; the initial declaration will be in the amount and type of currency stated in such affidavit or certificate, and will be approved by the administrative commander concerned.

b. Enlisted personnel and civilians requesting transmittal and/or exchange or conversion service at finance or postal facilities who claim to have lost their cards will *not* be granted transmittal service (PTA, Spearhead Deposit, Postal Money Order, Soldier's Deposit, etc.), but may exchange into other currencies in a *nominal amount* sufficient to overcome a demonstrated emergency pending issuance of a new card.

c. Officers, Warrant, and Flight Officers unable to present their cards by reason of loss or destruction may be granted both transmittal and exchange service in *reasonable amounts* provided the following written certificate is executed and given to the cashier or postal clerk:

"I certify that the transmittal of cash hereby requested in the amount of ---- or the exchange from ----- to ----- (type of currency in the amount of ---- is within the limits of my allowable free balance in the currency exchanged.)"

14. *Importation of Money.* a. When any person cashes a check, money order, or similar instrument so as to import money into this theater, the Finance Officer, cashier, or other person cashing such instrument will, on demand, furnish a certificate, dated, signed, and stamped with his block stamp or APO stamp, substantially as follows:

"I certify that I have on this day cashed a (check) (traveler's check) (money order) (bank draft) for ----- (name, rank, and organization) in the amount of \$----- or equivalent."

b. Such certificate will be acceptable as authority to send out of this theater a sum of money not in excess of the amount stated therein, without reference to the Currency Exchange Control Book.

c. Under no circumstances will money imported or exported as described in a or b above, be entered in the Currency Exchange Control Book.

15. *Violation.* Any false or unauthorized entry in the Currency Exchange Control Book, any improper exchange or transmittal of currency, or any other violation or evasion of the terms of this circular, will be dealt with by appropriate disciplinary action.

## TELEPHONE CONVERSATION ON SCRIP PLANS

15 MARCH 1946.

From: Omgus, Sgd Clay.

To: USFET for Bull.

Ref. No.: CC 1418.

Confirming telephone conversation, British and American scrip plans not considered to affect decisively German public confidence in currency or German basic economy subject to following:

1. Currency control books, in improved form we understand to be forthcoming, must be principal remittance control.

2. U. S. scrip should also be termed "canteen money" because of traditional German use and consequent German understanding of practice.

3. Plan should contemplate discontinuance of further issue by U. S. and U. K. of Allied Military Mark except in exceptional case, and retirement from circulation of Allied Military Marks as they return to Finance Offices.

4. Definite decisions should be made at highest level, prior to announcement of plan, as to policy regarding exchange for canteen money or Dollar exchange of Marks now held by U. S. soldiers and civilians.

5. British and U. S. money should be expendable, subject to reimbursement, in installations of both powers.

6. British and U. S. plans should be announced simultaneously with prior preparation by information control divisions.

## ISSUANCE OF CURRENCY CONTROL BOOK

16 MARCH 1946.

From: CG USFET, Main, Frankfurt, Germany.

To: War Department.

Nr: S 3534.

To for action AGWAR for SERVVIS ref nr S 3534 from HQ USFET sgd McNarney cite SOFDD.

Theater circular is in process with view toward publication requesting issuance of currency control book to arriving dependents of military personnel for posting of dollar or dollar instruments exchanged for local currencies; reurad WX 80505 that exchange and transmittal service afforded military personnel will be extended to dependents subject to presentation of currency control book. Travelers checks and United States Money Orders will be cashed by disbursing officers for dependents.

End

Action: ASF.

Info: CG AAF: OPD: G-2; G-1; G-4; Navy; Bud. Div.

## AMOUNTS ISSUED OF AMM BY ALLIED POWERS

Civil Affairs Div., Oper. Div. WDGS  
OPD 311.23 CAD Capt. Hartley, 73766

18 MARCH 1946.

OMGUS, Berlin, Germany.  
Number: WAR 81107.  
Signed WARCAD.

Info requested whether reports relative to amounts AM marks put in use by each allied power, ref Allied Control Coordinating Committee/P (45) 209 dtd 18 Dec. 1945 as approved by CORC/M (45) 28, 21 Dec. 1945, have been submitted to Finance Directorate.

If reports have been submitted request copies if available. If reports have not been submitted what date is anticipated for their delivery.

End

Originator: CAD.

Distribution: OPD, CAD (State & Tres), Bud Div., Mr. Petersen.

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AMM ISSUED BY ALLIED POWERS

27 MARCH 1946.

From: Office of Military Govn for German marks in Germany.

To: War Department.

Nr: CC 2080.

Action to AGWAR for WARCAD from OMGUS sgd Clay ref no CC 2080.

Reurad W 81107 British French and American reports relative to amounts Allied Military Marks put in use by each allied power submitted to finance directorate. *Still awaiting receipt Russian report which is promised at early date.* Forwarding copies of reports already submitted. As of 31 December 45 amount issued by US Currency Branch and outstanding was RM 1,045,360,567.50. This figure includes advances to Allied Governments of RM 811,822,039 and uncounted returns from disbursing officers in amount of RM 165,226,077. Net amount issued for US purposes and outstanding was RM 968,321,451.50. British figures as of 31 December 45 were RM 1,795,776,000. French figures as of 31 December 45 were RM 656,721,428.

End

Action: CAD.

Info: OPD; Cad (State & Treas); Budget Division; Mr. Petersen.

## PAYING OF TROOPS IN SCRIPT

18 MARCH 1946.

SA/L&amp;Fis/WRJ/sr

2. G-1 USFET, Main; G-4 USFET, Main.  
18 Mar. 46.

1. Attention is invited to message this headquarters reference number S-3482 dated 15 March 1946 to the War Department for the attention of the Budget Division.

2. Your views contained in the foregoing minute were presented to the Chief of Staff prior to his and the Theater Commanders' approval of the cable cited in paragraph 1 above.

J. M. BEVANS,  
*Major General, GSC,*  
*Assistant Chief of Staff G-1.*

Subject: Paying of Troops in Script.

Memo for Record: Carrier note 1 to which the above is reply, set forth the views of the AC of S, G-4, with respect to currency control in general and script in particular. In substance, they were as follows: That troops should be paid in US dollars or that troops be paid in some substitute for US dollars, i. e., dollar-backed certificates. And further, that if one of these two solutions were effected, currency control as now implemented by the currency control book should be eliminated. The decision was made that whether or not the script was put into effect by War Department order, the currency exchange book system would be continued in effect, and the AC of S, G-4, is herein advised his views were presented to C/S before final action was taken.

(OM) WRJ 18 Mar. 46

Subject: Currency Exchange Control (Revised circular and control book).

For record only: The above note discusses briefly the proposed new currency exchange control regulations (revised circular and control book) and draws attention to a suggested cable to major subordinate commanders outlining one important point for their information and advance planning, prior to the effective date of the new regulations. Note recommends to the C/S that the contemplated action be approved.

(OM) WRJ 18 Mar. 46)

## CONSOLIDATED CURRENCY REPORTS

HEADQUARTERS,  
UNITED STATES FORCES, EUROPEAN THEATER,  
*Office of the Theater Fiscal Director, 20 March 1946.*

121.7 FDD

To: Fiscal Director, Army Service Forces, Washington 25, D. C.  
(Attention: Accounts Division).

1. Reference your cable W80346, dated 13 March 1946, cite: SPFAM. Our consolidated currency report for allied military marks for the month of December 1945 showing ending balance, item 15, of 1,886,939,617 allied military marks is correct. Our quarterly report ending December 31, 1945, shows a balance of 1,253,511,344 allied military marks. The difference of 633,428,273 allied military marks is explained by the attached list of disbursing officers who had failed to submit foreign currency reports in time to be included in the quarterly report.

2. The undersigned took positive steps in the early part of January to make certain that subsequent to 1 January 1946, future foreign currency reports would be accurately computed both by disbursing officers and the accounts division of this office, and promptly forwarded accurately consolidated to your office.

3. It is the firm belief that errors in the future will be eliminated by the procedure now being used. Prior to the introduction of this procedure disbursing officers were allowed to leave the theater without submitting final foreign currency reports and in some cases not closing their accounts. Proper steps have been taken to prevent a recurrence of these actions.

R. A. KOCH,  
Colonel, FD,  
*Theater Fiscal Director.*

1 Incl: List of Disbursing Officers.

## COMPLAINTS ON CURRENCY EXCHANGE

ASF, Office of the Chief of Finance For. Fiscal Affairs Sec., SPFBC  
72564, Capt. R. E. Leach

20 MARCH 1946.

CG, 1st SvC, Boston, Mass.; CG, 2nd SvC, Governors Island, N. Y.;  
CG, 3rd SvC, Baltimore, Md.; CG, 4th SvC, Atlanta, Ga.; CG,  
5th SvC, Columbus, Ohio; CG, 6th SvC, Chicago, Ill.; CG, 7th  
SvC, Omaha, Nebr.; CG, 8th SvC, Dallas, Texas; CG, 9th SvC,  
Ft. Douglas, Utah; CG, EDC, Governors Island, N. Y.

Information: CG, USFMTO, Caserta, Italy; CG, USFET, Main,  
Frankfurt, Germany.

Number: WARX 81410.

From: SERVVIS SPFBC.

1. Authorized pers from the European and Mediterranean Theaters who have legitimate complaints about initial declaration in their currency exchange control book will be required to execute WD AGO form R-5346 as illustrated in cir no 64 WD 1946 and submit the form as a sworn affidavit with the foreign currency for which

exchange is desired and their currency exchange control book through normal channels to the Chief of Finance, Washington 25, D. C., for transmittal to the appropriate theater fiscal director for final determination and disposition. Applicant should explain in detail in term 10 thereof the following points:

A. Reason for making incorrect initial declaration;

B. Why initial declaration was not appealed in theater where appropriate investigation could be made;

C. Organizations and dates where foreign currency was recd through off channels.

2. Previous decisions of boards of officers will be considered final.  
End.

Originator: ASF-Fin.

Distribution: CG AAF (ATC), OPD, G-1, G-2, CAD, Navy (BUSANDA), Bud. Div. MD/W.

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#### REVISED CURRENCY CONTROL SYSTEM

To: Commanding Generals: U. S. Forces, Austria; U. S. Air Forces in Europe; Office of Military Government for Germany (U. S.); Continental Base Section; Western Base Section; Third U. S. Army Area; Seventh U. S. Army Area; Berlin District; European Division ATC; American Graves Registration Command European Theater Area; Bremen Port Command; Military Railway Service; HQ Comd U. S. Forces, European Theater. Directors: Office of Military Government for Bavaria, Office of Military Government for Wuerttemberg-Baden, Office of Military Government for Greater Hesse.

From: U. S. Forces European Theater.

Ref. No. SC-27753. CITE: TOO: 251500A.

#### BOOK MESSAGE

Revised currency control system will be effective 15 May 46; new features include new bank book type of record to be retained by individuals. All purchases to be deducted from record. To avoid excessive entries, agencies such as px, messes, commissary will, where practicable, establish credit where authorized or a coupon system and at messes where each meal is paid for separately in advance, such establishment will be mandatory for permanent members thereof. Coupons to be bought in advance for subsequent purchases. Such arrangements pertaining to army exchange service and commissary will be on theater level; additional data will be furnished later date. In case of other agencies, such as messes, arrangements will be on local plane. Above for information and advance planning.

#### UNCLASSIFIED ROUTINE

Originator: G-1.

Action: HQ COMD.

Information: SGS, G-2, G-3, G-4, MG (U. S. Zone), AG, IG, POL  
ADV, \*\*, Summary, AG Records.

Authentication: D. H. Smith, Col.

## EXCHANGE OF FOREIGN CURRENCIES

29 MARCH 1946.

USFET Main.

See below.

S-4400 (Ref. No.).

## Commanding Generals:

- (1) United States Forces, Austria.
- (2) United States Air Forces in Europe.
- (3) Office of Military Government for Germany.
- (4) Continental Base Section.
- (5) Western Base Section.
- (6) Third United States Army Area.
- (7) Seventh US Army Area.
- (8) Berlin District.
- (9) European Division, Air Transport Command.
- (10) American Graves Registration Command, European Theater Area.

## Commanding Officer:

- (11) Headquarters Command, US Forces, European Theater.

## Directors:

- (12) Office of Military Government for Bavaria.
- (13) Office of Military Government for Wuerttemberg-Baden.
- (14) Office of Military Government for Greater Hesse.

## BOOK MESSAGE

QUOTED IS CABLE WX 80605 DATED 14 MARCH 1946 CITED SPFCB FROM THE WAR DEPARTMENT QUOTE SUBJECT IS EXCHANGE OF FOREIGN CURRENCIES PD ONE AS AUTHORIZED PERSONNEL ARE AFFORDED SEVERAL OPPORTUNITIES TO TRANSMIT OR EXCHANGE FOREIGN CURRENCY EN ROUTE TO THE US AND AS LIMITATION OF PUBLIC LAW 554 PAREN 78th CONGRESS UNPAREN DO NOT PERMIT ARMY DISBURSING OFFICERS TO EXCHANGE FOREIGN CURRENCY IN POSSESSION OF INDIVIDUALS WHO WERE FORMERLY RECOGNIZED AS AUTHORIZED PERSONNEL CMA THE APPLICATIONS FOR EXCHANGE OF FOREIGN CURRENCIES FROM SUCH INDIVIDUALS MAY NOT BE ACCEPTED AS EXCHANGE WILL HAVE TO BE EFFECTED BY SUCH INDIVIDUALS THROUGH OTHER THAN WAR DEPARTMENT CHANNELS PD PARA TWO IN VIEW OF FOREGOING LIMITATIONS IT IS IMPERATIVE THAT EVERY EFFORT BE MADE TO EXCHANGE ALL FOREIGN CURRENCIES ELIGIBLE FOR EXCHANGE AT OVERSEAS PORTS OF EMBARKATION IN COMPLIANCE WITH SUBPARAS EASY CMA FOX CMA AND GEORGE OF PARA ONE ONE CMA CIRCULAR SIX FOUR CMA WD CMA FIVE MARCH ONE NINE FOUR SIX PD FINAL ACTION ON ANY COMPLAINTS IN REGARD TO EXCHANGE WILL BE TAKEN IN ACCORDANCE WITH THEATER DIRECTIVES AND PERSONNEL WILL NOT BE INSTRUCTED TO WAIT AND PRESENT THEIR CASES IN

THE US PD UNQUOTE PAREN SIGNED MCNARNEY CITE ETGAP UNPAREN PARA IT IS CONSIDERED THAT THE ONLY LEGITIMATE QUOTE COMPLAINTS IN REGARD TO EXCHANGE UNQUOTE ARE THOSE PERTAINING TO ALLEGED ABSENCE OF EXCHANGE FACILITIES AT POINTS OF EMBARKATION OR REFUSAL TO MAKE EXCHANGES BECAUSE OF NONPOSSESSION OF CURRENCY EXCHANGE CONTROL BOOKS PD THEREFORE ADEQUATE MEASURES WILL BE TAKEN BY ALL CONCERNED TO ABLE PROVIDE EXCHANGE FACILITIES AT STAGING AREAS CMA PORTS OR OTHER POINTS OF DEPARTURE AND ASSURE THAT EXCHANGES ARE EFFECTED JUST PRIOR TO EMBARKATION AND BAKER TAKE PROMPT ACTION UNDER THE PROVISIONS OF PARAGRAPH ONE TWO CIRCULAR ONE THREE NINE HEADQUARTERS USFET ONE ZERO OCTOBER ONE NINE FOUR FIVE IN APPLICABLE CASES PD PERSONAL WILL NOT REPEAT NOT BE INSTRUCTED TO WAIT AND PRESENT THEIR CURRENCY FOR EXCHANGE IN THE UNITED STATES PD

Subject: Currency Exchange for Personnel Departing for ZI

Memo for Record: WD Advised excessive number of persons attempting to exchange foreign currencies in ZI and requested every effort be made to effect exchanges here. Above TWX to major commands so directs.

(OM) WRJ 29 Mar. 46

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#### CURRENCY EXCHANGE FOR MILITARY PERSONNEL DEPENDENTS

WD Spec Staff Bud Div Foreign  
Financial Br WDSBU 123  
Currency (13 Mar 46) Lt. Col.  
Feyereisen 73289

1 APRIL 1946.

CG USFET Main, Frankfurt, Germany.

Number: War 82865.

COMGENUSFETMAIN signed WARBUD.

Para 1. Attention invited to oured WARX 80505 and urad S 3534 reference currency exchange control for dependents of authorized personnel. See letter Hqs USFET dated 6 February 1946, file AG 181 GAP-AGL, subject: Currency Exchange Control to Commanding General, New York Port of Embarkation which proposes the issuance of currency exchange control books for embarkees to your theater.

Para 2. WD approves your request that control books be issued at NY Ports to alleviate administrative burden your end and to assist you in effecting more rigid currency exchange control. Instructions to port will issue immediately upon receipt your reaction to this radio and to procedure outlined below.

Para 3. Formal WD instructions which will issue soon, reflecting recommendations of theaters yet standardizing procedures for universal currency exchange control, contemplate nonissuance of control books to dependents of authorized personnel. This results from opin-

ion that control book in hands of dependent offers possible loophole in exchange controls over which military has limited if any control. Also exchange of foreign currency for dependents not within purview of Public Law 554, December 1944. Expedient of Finance or Postal Officer issuing certificate to dependents for money exchanged or dollar instruments in their possession (see WARX 80505) believed adequate until authorized personnel and dependents meet within theater and until financial procedures for both are standardized.

Para 4. It is requested that proposal to issue exchange control books to dependents be held in abeyance for time being.

End

Originator: Bud. Div.

Distribution: ASF-Fisc-Trans. CG AAF, OPD, G-1, G-2, G-4, Navy.

#### CURRENCY CONTROL FOR DEPENDENTS

15 APRIL 1946.

From: CG USFET Main, Frankfurt, Germany.

To: War Department.

Nr: S-1842.

From USFET Main to for action AGWAR. Ref. No. S-1842 signed McNarney cite ETGAP.

Currency control is reference your radio W 82865.

Issue of control records or books to dependents considered necessary 15 May when book will be needed for debit purchase entries. Necessity will arise for example when head of family is absent from community. Question one that Colonel Koch and Major Jorgenson will discuss 22 April conference and action here deferred awaiting decision. Question of issue control books at embarkation also subject of discussion. Awaiting receipt proposed circular mentioned your radio W-83567.

Action: Bud Div.

Info: CG AAF; ASF; OPD; G-1; G-4; Navy.

#### CURRENCY CONTROL

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
OFFICE OF THE AC OF S, G-1,  
4 APRIL 1946.

To: The Chief of Staff.

#### I. DISCUSSION

1. a. At TAB A is an Analysis and Disposition Report for military pay in the European Theater for the month of February 1946. In summary it discloses that the total pay drawn in cash by officers and enlisted men was \$25,218,344.10, but the total amount of money spent in US agencies was \$35,183,221.20, a deficit of \$9,964,877.04.

b. While it should be noted that the form of the report (prescribed by the War Department) does not permit an indication of how much of the deficit was contributed by non-military authorized users of our

facilities, it is believed that the portion of such deficit actually attributable to military personnel is serious enough to warrant the recommendation herein contained.

2. By cable WX 99066 at TAB B, the War Department requested our views and comments with respect to the proposed introduction of a form of Military Payment Certificates ("Script"), a plan which had been submitted for consideration to the War Department by the Treasury Department. Our reply S-3482 at TAB C stated in effect that the use of script in this theater is feasible and appears to be desirable, particularly in view of similar action to be taken by the British Government in the very near future; however, its adoption was not affirmatively urged by this headquarters. It is now becoming increasingly apparent that in order to achieve a permanently balanced budget (expenditures in US agencies equal to or less than monies disbursed as unencumbered pay and allowances for a comparable period), a form of script is essential. It is therefore deemed advisable to inform the War Department that we now positively recommend adoption of script in this theater and to request from them information as to the status of the plan at this time. Draft of cable to accomplish this is at TAB D.

## II. ACTION RECOMMENDED

3. That the cable at TAB D be approved. See S-1461, 8 Apr. 46.)

## III. CONCURRENCES

G-4 -----  
 Budget Division -----  
 Office of Fiscal Director -----

J. M. BEVANS,  
*Major General, GSC,*  
*Assistant Chief of Staff, G-1.*

26 JUNE, 1947.

I certify that this is a true copy.

Stephen A. Lewis,  
**STEPHEN A. LEWIS,**  
*Major, SigO,*  
*Administrative Officer.*

## STUDY OF UNIFORM CURRENCY CONTROL SYSTEM

War Department Special Staff  
 Budget Division  
 Foreign Financial Branch  
 WDSBU 300.5 Prop Cir  
 Col Pforzheimer 2806

5 APRIL 1946.

OG USFET Main, Frankfurt, Germany.

Nr: WAR 83567.

COMGENUSFETMAIN signed WARBUD.

War Department has completed study and preparation circular enunciating universal uniform foreign currency exchange control

applicable to all affected theaters at earliest practicable date. Copies proposed circular en route by air for your study. To insure feasibility and uniformity of implementation request you select two officers possibly one from your G-1 and Fiscal Divisions for temporary duty in WARBUD to commence about 22 April for approximately two weeks. Those selected should be thoroughly familiar with all aspects of problem and qualified to represent theater commander. Officers should also be prepared to discuss advisability of implementing proposed circular but with control books deleted therefrom and a War Department policy of exchanging no foreign currencies back into dollars or dollar instrumentalities from 1 July forward. Colonel Allen Rinehart and Lt. Col. A. W. Widmer might be considered.

Distribution of the proposed circular should be limited to the military establishment.

End

Originator: Bud Div.

Distribution: ASF (Fisc), OPD, G-1, CAD.

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PROPOSED WAR DEPARTMENT CIRCULAR—CURRENCY EXCHANGE  
CONTROL

8 APRIL 1946.

WDSBU 300.5 Prop Cir (3 Apr 46).

To: Commanding General, European Theater, Main A. P. O. 757,  
c/o Postmaster, New York, New York.

1. Attached hereto are eight copies of a proposed War Department circular on currency exchange control. These copies are furnished you for study as indicated in WARX83567, dated 6 April 1946.

2. It is requested that the proposed circular be studied to the end that representatives of the theater who are placed on temporary duty with the War Department, as envisaged in War Department radio, may act in full accordance with the Theater Commander's desires.

BY ORDER OF THE SECRETARY OF WAR:

GEORGE J. RICHARDS,  
*Major General, GSC,*  
*Budget Officer for the War Department.*

Incls:

8 cys of prop.  
WD Cir.

DRAFT # 6

5 APRIL 1946.

Cir-----

CIRCULAR  
No. -----

WAR DEPARTMENT  
Washington 25, D. C. -----  
----- unless sooner rescinded or

Effective until -----  
superseded

**FOREIGN CURRENCY EXCHANGE CONTROL OUTSIDE THE CONTINENTAL LIMITS OF THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS****Section I****GENERAL**

1. **GENERAL.** *a.* With the closing out of the majority of overseas theaters of operation and the consolidation of military establishments overseas into occupation forces concentrated in well defined areas, it is appropriate to establish a permanent phase of foreign currency exchange control, applicable on a uniform basis wherever necessary.

*b.* The procedures outlined in this circular constitute a natural sequel, without engendering major changes, to general control practices already in operation in affected areas during the combat and redeployment phases.

2. **PURPOSE OF CIRCULAR.** The purpose of this circular is to—

*a.* Set forth permanent War Department policies of foreign currency exchange controls and indicate the responsibilities of affected theater commanders in the implementation of such policies by the issuance of such supplemental regulations as may be required within their respective areas of command.

*b.* Consolidate within a single circular, previously issued War Department Circulars and instructions relating to foreign currency exchange controls.

*c.* Incorporate additional necessary instructions on the use of certain special forms and negotiable instruments relating to foreign currency exchange control, not covered in previous War Department Circulars and instructions.

*d.* Amplify, clarify, and supplement certain general and technical instructions on foreign exchange currency control already set forth in WD Circular No. 64, 1946, which superseded WD Circular No. 304, 1944.

3. **PURPOSE OF CONTROLS.** Foreign currency exchange controls contained herein are designed—

*a.* To continue to protect the interests of the United States Government by preventing the accumulation of United States and/or foreign currencies in the accounts of disbursing officers in excess of the amounts used by them for the pay and allowances drawn locally by personnel working in and under the military establishment in any given area.

*b.* To protect authorized personnel in the handling of their funds derived from or through official sources.

*c.* To enable overseas theater commanders to establish and maintain effective controls over the circulation of United States, foreign, and/or special currencies within their areas of command.

*d.* To prevent, or at least hold to a minimum, currency and/or merchandise black market operations inimical to the best interests not only of the United States Government, but also to the maintenance of the monetary and economic stability of the relevant foreign government.

*e.* To prevent to the maximum possible extent in all foreign areas the circulation of United States or any currency not legal tender in the area concerned, except where such currency is expressly authorized by the War Department as a common medium of exchange for special or general military purposes.

**Section II****DEFINITIONS**

4. **TYPE OF DISBURSEMENTS.** Disbursements falling within the purview of this circular may be defined as—

*a.* Regular monthly pay and allowances.

*b.* Partial payments.

*c.* Per diems and/or reimbursement of expenses incident to official travel.

*d.* Station and/or living allowances, where authorized.

*e.* All other payments authorized by Army regulations to individuals in and under the military establishments.

**5. TYPES OF PERSONNEL.** Personnel falling within the purview of this circular may be defined as—

- a. Military and naval personnel of the United States Government.
- b. Civilians, who are citizens of the United States, employed directly by the military and naval establishments.
- c. Dependents of personnel included in subparagraphs a and b above, but subject to the limitations set forth in paragraph 10 below.
- d. Civilians, who are citizens of the United States, employed directly by the United States Government, but subject to the limitations set forth in paragraph 10 below.
- e. Civilians, other than those who are citizens of the country whose currency is legal tender in the area, directly employed by the military and naval establishments, but subject to the limitations set forth in paragraph 10 below.
- f. Civilians who are employed by quasi official organizations in and/or under the military and naval establishments and working for the benefit of the members of the armed forces of the United States. (examples are the Army Exchange Service and its Post Exchanges; Quartermaster sales stores and commissaries; local Red Cross Clubs and canteens; company, battalion and other unit clubs; enlisted men's and officers' clubs and messes; Chaplains' assistants; and the Central Welfare Fund of any given theater of operations) but subject to the limitations set forth in paragraph 10 below.
- g. Personnel attached to the headquarters of any U. S. military or naval unit, who in the opinion of the theater commander, can best perform their mission by having access to U. S. Army military facilities, when specifically authorized by the theater commander, but subject to the limitations set forth in paragraph 10 below.
- h. Former enemy nationals are specifically excluded from those listed in subparagraphs e, f, and g above.
- i. All personnel covered in this paragraph are hereinafter referred to as authorized personnel".

**6. CURRENCY EXCHANGE CONTROL BOOK.** a. The Currency Exchange Control Book (hereinafter referred to as Control Book) may be defined as that document issued to all authorized personnel pursuant to regulations promulgated by a theater commander or pursuant to the instructions contained in this circular.

b. Sample Control Book appears herewith.

[Two Cuts]

**7. U. S. MILITARY DISBURSING OFFICER PAYMENT ORDER.** a. The U. S. Military Disbursing Officer Payment Order (hereinafter called Payment Order) may be defined as in accordance with the provisions of Section IV, 3D Circular 159, 1945.

b. Payment Orders will be issued in fixed denominations of \$1, \$5, \$10, and \$20.

c. Specimen Payment Order is shown herewith.

[Two Cuts]

**8. UNITED STATES MILITARY ESTABLISHMENT COUPON BOOKS.** a. United States Military Establishment Coupon Books (hereinafter referred to as Coupon Books) may be defined as the official medium of exchange in all military establishments similar to those enumerated in paragraph 5 f above.

b. The Coupon Books will be issued in denominations of \$5, \$10, \$15, \$25, and \$100, with varying numbers of coupons of definite denominations as indicated herewith.

Coupon denomination	\$5 book		\$10 book		\$15 book		\$25 book		\$100 book	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
\$5	60	\$3	60	\$3	60	\$3				
100	20	2	20	2	30	3				
250			12	3	16	4				
\$1			2	2	6	5	5	\$5	15	\$15
\$5							4	20	9	45
\$10									4	40
Total	80	5	94	10	111	15	9	25	28	100

c. Specimen coupon is shown herewith.

## [Two cuts]

9. MISCELLANEOUS. *a.* U. S. Treasury Checks, where referred to, are the standard checks provided military disbursing officers.

*b.* Spearhead Deposits, where referred to, are the standard WD Fin. Dept. Forms #38, #14-40, and #14-44.

*c.* Travelers Checks, where referred to, are those issued by recognized banks or travel agencies and normally cashable by disbursing officers.

10. LIMITATIONS. Determination of the specific individuals eligible to become authorized personnel within the limits defined in this circular shall be determined by the theater commanders.

*a.* No personnel shall be construed as coming within the purview of this circular unless they are in possession of a Control Book, Coupon Books, or Payment Orders acquired pursuant to the instructions contained in this circular.

*b.* Dependents as defined in paragraph 5*e* above are not eligible to utilize other than Coupon Books, Travelers' Checks, and properly endorsed Treasury Checks as defined in this circular.

*c.* In the case of personnel defined in paragraph 5*g* above, Control Books, Coupon Books, or Payment Orders may only be acquired pursuant to regulations promulgated by the theater commander.

## Section III

## PAYMENT OF PERSONNEL IN AND UNDER THE MILITARY ESTABLISHMENTS IN OVERSEAS AREAS

11. METHODS OF PAYMENT. *a.* All personnel defined in paragraph 5 above shall be paid at their discretion in—

(1) The foreign currency and coin which is legal tender in the area involved, provided same is within the scope of War Department Circular No. 64, 1946; and/or

(2) Payment Orders in accordance with the provision of Section IV, War Department Circular 159, 1945.

*b.* The following exceptions are authorized:

(1) United States Treasury Checks only to those personnel enumerated in paragraph 5 above, proceeding under competent orders to areas in which United States Army Disbursing Officers or Class B Agent Officers or Military Attaché Disbursing Officers are not available.

(2) Spearhead Deposits for long distance intertheater travel when large amounts are involved, to avoid carrying Payment Orders in bulk.

*c.* Disbursements in United States currency will be made only when specifically authorized by the War Department.

12. RECORD IN CONTROL BOOK. *a.* The dollar countervalue of all payments made in any foreign currency and/or coin shall be recorded in a Control Book as issued by the War Department.

*b.* Regardless of the number or amounts of the transactions recorded under the provision of paragraph 13*a* and 14*a* below, the maximum credit balance authorized to be recorded in the Control Book is fifty dollars (\$50).

## Section IV

## AUTHORITY TO EXCHANGE FOREIGN CURRENCIES

13. FINANCE OFFICERS. No United States Army disbursing officer or his agent shall—

*a.* Convert any authorized foreign currency and/or coin presented for exchange by authorized personnel into payment orders, U. S. Treasury checks, spearhead deposits, personal transfers, U. S. Savings Bonds, soldiers' deposits or coupon books (described in paragraph 9 above) in excess of the net credit dollar countervalue shown on the Control Book.

*b.* Effect any transaction in foreign currency and/or coin with other than authorized personnel, except for disbursement of official funds in payment of goods and services received by the U. S. Armed Forces through authorized channels.

14. POSTAL OFFICERS. No United States Army postal officer or his agent shall—

a. Issue United States postal money orders, issued in accordance with regulations of the United States Post Office Department, in exchange for authorized foreign currency and/or coin presented by authorized personnel in excess of the net credit dollar countervalue shown on the Control Book.

b. Effect any transaction in foreign currency and/or coin with other than authorized personnel, except for disbursements of official funds in payment of goods and services received by the U. S. Armed Forces through authorized channels.

15. **RECORD IN CONTROL BOOK.** At the time of making the exchanges set forth in paragraphs 13 and 14, the dollar countervalue of the transaction shall be debited on the Control Book and a new net credit balance clearly set forth thereon.

16. **OTHER ARMY FACILITIES.** a. No commanding officer, officer in charge, civilian chief, or individual in charge of any Army post exchange, Quartermaster sales store, Quartermaster commissary, officers and/or enlisted mess, officers and/or enlisted club, Red Cross Canteen or club, or unit fund, shall accept, or allow to be accepted in his facility, any foreign currency or coin in payment of any goods or services sold or rendered by such establishments to authorized personnel or their guests. Acceptance of United States currency and coin will be limited exclusively to those areas in which individuals in and under the military establishment are paid in United States currency.

b. Unauthorized personnel, except then accompanying authorizing personnel as bona fide guests, shall not be permitted to use the facilities described, or those similar thereto, in the preceding subparagraph.

c. The provision of this paragraph do not apply to revenue passengers of the Air Transport Command purchasing meals at ATC snack bars and transient messes.

17. **DEPARTURE FROM OVERSEAS THEATER.** a. No disbursing officer and/or postal officer and/or their agents, shall convert into dollar currency and/or instrumentalities for authorized personnel leaving the theater under competent orders, any authorized foreign currency and coin in excess of the countervalue of 25 United States dollars, or the net credit on the currency Control Book, whichever is the lesser.

b. No deviation from this ruling is authorized without the written permission of the commanding general of the theater or his duly authorized agent.

c. Permission to exceed this 25 dollar limit should be granted sparingly and only after the exercise of due diligence in ascertaining the provenance of the foreign currency or coin offered for exchange.

## Section V

### AUTHORITY TO CASH AND/OR NEGOTIATE DOLLAR INSTRUMENTS

18. **PAYMENT ORDERS.** Authorized personnel may exchange payment orders in their possession for—

a. Any authorized foreign currency at any Army and Navy disbursing office or agencies thereof.

b. Spearhead deposits preparatory to inter-theater travel.

c. U. S. Treasury check when traveling under competent orders, to any area in which the U. S. Army disbursing officers and Class B agent officers and Military Attache disbursing officers are not readily available.

d. Coupon books, provided such authorized personnel already have in their possession the identifying document, entitling them to the use of the various military facilities, in which the coupon books is to be expended such as post exchange ration cards. Quartermaster sales store and/or commissary privilege cards, etc., or AGO card/identification tag to be used in a private commercial facility. Coupon books will be available in the offices of post exchange officers, club and mess officers, and Red Cross club directors.

e. U. S. postal money orders, issued in accordance with regulations of the United States Post Office Department, by U. S. Army postal officers or their agents.

f. Purchase of U. S. Savings Bonds.

g. Making personal transfers to the U. S.

h. Making soldiers' deposits.

19. **UNITED STATES POSTAL MONEY ORDERS.** Authorized personnel may use U. S. postal money orders in their possession, issued in accordance with regulations of the United States Post Office Department, for all of the purposes described in paragraph 18 above, and in exchange for payment orders.

20. **U. S. TREASURY CHECKS.** Authorized personnel may exchange U. S. Treasury checks in their possession for payment orders and for all of the purposes described in paragraph 18 above, provided—

a. They have just arrived from areas in which payment orders and/or spearhead deposits are not in general use.

b. The agency of the U. S. Government by whom they are employed, habitually makes payments by this method.

21. **SPEARHEAD DEPOSITS.** Authorized personnel may exchange spearhead deposits in their possession for payment orders and for all the purposes described in paragraph 18 above, provided—

a. They have just arrived from areas in which payment orders and/or treasury checks are not in general use.

b. Acquisition of such spearhead deposits was in conformity with—

(1) The provision of paragraph 18b above.

(2) War Department instructions governing protection of quasi-official and personal funds in the event of devaluation of a foreign currency.

22. **U. S. DOLLAR CURRENCY AND COIN.** Authorized personnel may exchange U. S. dollar currency in their possession for payment orders and for all of the purposes described in paragraph 18 above provided, that they have just arrived from areas outside the U. S. in which disbursements to individuals are authorized in U. S. dollars currency and coin and further provided that such authorized personnel execute an affidavit to the effect that it was impossible to obtain some form of instrumentality prior to their departure from the area in which the U. S. dollar currency and coin was obtained.

23. **TRAVELERS' CHECKS.** Authorized personnel may exchange U. S. dollar travelers' checks for all of the purposes described in paragraph 18 above.

24. **COUPON BOOKS.** Coupon books are the only authorized medium of exchange for purchasing good and services in—

a. All Army post exchanges.

b. All Navy ship's service stores.

c. All Quartermaster commissaries.

d. All Quartermaster sales stores.

e. Theater, moving picture and other entertainment facilities operated by the military establishments.

f. Officers and enlisted men's messes and clubs.

g. Wherever ultimate remittance to the United States is involved, contributions for all eleemosynary purposes including all authorized charitable appeals, including church collections and Chaplain's funds.

h. Payments to all travel agencies, radio, cable, telegraph and telephone companies, and all other service facilities of similar types.

**NOTE: NO COUPONS IN THE COUPON BOOK SHALL BE VALID IF DETACHED WHEN PRESENTED IN PAYMENT OF AUTHORIZED GOODS AND SERVICES.**

25. **RECORD IN CONTROL BOOK.** With respect to all transactions as set forth in paragraphs 18 through 23 above and subject to the limitations contained in paragraph 12b above, wherever a foreign currency is involved, the dollar counter-value of such transactions must be properly entered in the control book and a new net credit balance clearly set forth thereon.

## Section VI

### APPLICABILITY OF THIS CIRCULAR

26. **AREAS INVOLVED.** The instructions contained in this circular shall be applicable in Europe and those portions of Asia and Australia coming under the command of the Commander in Chief of the U. S. Army Forces in the Pacific.

27. **EFFECTIVE DATE.** a. The instructions contained in this circular shall become effective as of 0001, 1 July 1946.

b. However, in view of the administrative problems inherent in the implementation of this circular, affected Theater Commanders should plan in advance not only for the orderly installation of the systems prescribed herein, but also for the gradual liquidation of theater currency control systems now in force.

## ADVANCES OF CURRENCY TO UNRRA

10 APRIL 1946.

CG, USFET, Main, Frankfurt, Germany.

US Forces of Occupation Austria, Vienna, Austria.

Number WARX 84162.

Book message signed WARCOS rerads GOV 285, TAM 588, TAM 623, July, WAR 41994.

Advances of currency to UNRRA is subject.

1. Your comments are requested concerning effectiveness of procedure for supplying currency to UNRRA to meet administrative expenses of UNRRA representatives in Germany and Austria, size of periodic advances and total advances to UNRRA to date and adequacy of expenditure reports furnished you by UNRRA.

2. Since same procedure for currency advances to UNRRA is under consideration for Far East request reply soonest.

End

Originator: CAD.

Distribution: OPD; Mr. Petersen; Budget Division.

## ADVANCES OF CURRENCY TO UN AND UNRRA

20 APRIL 1946.

From: CG USFET Main Frankfurt Germany

To: War Department

Nr: S-2337

From USFET for action AGWAR for WARCOS ref no S-2337 reurad WX 84162 sgd McNarney cite SOFDD.

Only advances presently being made are to United Nations Relief and Rehabilitation Administration accountants or field paymasters against United Nations Relief and Rehabilitation Administration Form No. 2.

Each advance is limited to 20,000 Allied military marks and names of individuals who may draw are published to field. Identification is made by means of United Nations Relief and Rehabilitation Administration credentials. The Forms No. 2 have in the past been redeemed by the British Currency Section for Germany but they now decline to make redemption. The United States Currency Section is expected to take over redemption but have not yet done so. Procedure is considered simple and effective. The only difficulty which has arisen is the redemption question.

Aggregate advances to 30 November 1945 were 3,936,348 marks. Advances for December 1945 and January 1946 total 4,915,460 marks. Advances for February 1946 and March 1946 total 5,633,707 marks.

End

Action: CAD.

Info: OPD; Mr. Petersen; Budget Division  
CM-IN-4666 (28 Apr 46), DTG 201100B.

## CURRENCY CONTROL AND BLACK-MARKET ACTIVITIES

*10 April 1946.*

To: Commanding Officer, American Graves Registration Command,  
European Theater Area.

1. Reference is made to Circular 139, this Headquarters, 10 October 1945, subject "Currency Exchange Control". The purpose of currency control in this theater is two-fold: First, to prevent the cashing into dollars or dollar instruments the proceeds of illicit or black-market activities involving European currency, and second, to lessen the deteriorating effect on morale and discipline occasioned by participating in such activities. The importance of both objectives should be self-evident and cannot be over-emphasized. In the first instance, it is obvious that money, exported to the Zone of Interior as dollars, which is in excess of that originally imported by the Army for pay and allowances and by individuals, becomes an additional and unauthorized levy against public funds; in the second instance, not only is discipline weakened and respect for authority lessened in those engaging in illicit practices, but the morale of personnel with integrity is being lowered by daily contact with individuals boasting of their unlawful profits.

2. This headquarters is taking steps to correct, to the extent possible, the weaknesses that have become apparent in the present system and to tighten all features of control generally. In the final analysis, however, the responsibility for control is that of command. Commanders of all echelons must be keenly aware of this responsibility and dedicated to the vigorous discharge thereof.

3. In view of the foregoing, it is desired that you assume the task of directing within your command an intensive and continuing campaign against evasion of currency control policy and participation in black-market activities. Definite steps taken will include:

a. Frequent and unannounced inspections to determine possession of more than one currency control book or illegal or unauthorized entries.

b. Report by postal and finance officers of all suspicious transactions.

c. Establishment of road blocks in order to apprehend all vehicles either operated or possessed illegally. Such checks will include a cargo check.

d. Close control maintained on the issuance of trip tickets.

e. Check and strengthen security measures on all warehouses and depots containing potential black-market material.

f. Scrutinization of all supply channels for leakages.

g. Use of certificate requirements (as provided for in Postal Circular #1, Hq USFET, 22 Feb. 1946) on parcel post to detect mailing of black-market proceeds.

h. Prompt punitive action will be taken wherever indicated.

4. Full use will be made of Inspectors General, Military Police, and CID agents. The Theater Provost Marshal is available for any assistance he is able to render.

JOSEPH T. McNARNEY,  
*General, U. S. Army, Commanding.*

Records of SGS, EUCOM, show that copy of this letter was sent to all Major Subordinate Commanders, USFET.

## CURRENCY EXCHANGE CONTROL

CIRCULAR NUMBER 50

HEADQUARTERS, U. S. FORCES, EUROPEAN THEATER,

15 April 1946.

1. *Rescission.* Cir. 139, 10 Oct. 1945 is rescinded effective 15 May 1946, and the currency exchange control book authorized therein will no longer be used.

2. *Policy.* Funds presented to theater facilities for purchases, exchange, or transmission will be limited to those derived from cash pay or allowances, or money lawfully imported into the theater by persons authorized to use such facilities.

3. *Original Issue.* a. Commanders of all echelons will issue to all personnel within their command, or under their jurisdiction, a Currency Control Record.

(1) Records will be serially numbered and issued through command channels. Each headquarters will maintain a record to account for all issued and unissued records.

(2) Currency Control Records may be issued to dependents of those persons authorized to use finance facilities, by the personnel officer of such authorized persons.

b. Effective 15 May 1946, personnel officers, or such officials as may be designated by commanders to act as such for the purpose of this circular, of all persons in the theater authorized to use finance facilities will make an initial entry in the record of each such individual. This initial entry will be the sum of money expressed in whole dollars which each such person has in his possession, including European bank deposits, derived only from pay and allowances and money lawfully imported into the theater. This entry will be made only on presentation of Currency Exchange Control Book authorized by Circular 139, and in no case will the initial entry exceed the balance available as indicated therein. For new arrivals see Par. 7.

4. *Custody of Record.* a. After the initial entry has been made in the Currency Control Record, the Record will be issued to the individual concerned and will be retained in his possession. A record of the serial number of the Currency Control Record this issued (as well as subsequent replacements), the date of issue, and the amount of the initial entry will be made by the personnel officer and attached to the individual's Service Record, WD AGO Form 66-1 or other appropriate permanent personnel file. This record will be consulted prior to replacement of the Currency Control Record under the provisions of Par. 9.

b. When replacements are made under the provisions of Par. 6 or 9 of this circular, the data pertaining to the previous record of issue will be cancelled by drawing a single line through it, followed by the words "used up" or "lost", whichever is applicable, and the personnel officer's authentication. (See paragraphs 6, 7, 9, and 11.)

5. *Subsequent Entries in the Record.* a. All entries will be expressed in dollars to the nearest whole dollar and blank space will be zeroed. \$0.50 or more will be entered as a dollar. Example: 0 5 0 to express a debit or credit entry of \$49.50 or \$49.76.

b. Amounts received by the owner of the Record as pay and allowances in marks or Austrian currency will be entered in column 3, and

amounts so paid to him in the currency of other countries within the theater will be entered in column 6. The amount of the balance in column 5 or 8 will be increased accordingly. All such entries will be made by the disbursing officer, agent officer, or other person authorized to pay personnel, who will authenticate such entries by placing his signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

c. *Currency Exchange.* (1) No entries will be made in the Record of exchanges involving *only* German and Austrian currencies, or exchanges involving *only* the currencies of *other countries* in this theater.

(2) The dollar value of marks or Austrian currency exchanged for money of other countries in this theater will be entered in column 4 and the balance in column 5 reduced accordingly; the same amount will be entered in column 6 and the balance in column 8 increased accordingly.

(3) The dollar value of currency of other countries in this theater exchanged for marks or Austrian currency will be entered in column 7 and the balance in column 8 will be reduced; the amount of the exchange will be entered in column 3 and the balance of column 5 increased accordingly.

(4) Currency exchanges will not be made without presentation of proper travel orders and/or compliance with such other regulations as may be promulgated by the Theater Fiscal Director.

(5) All exchange entries will be made by the officer, cashier or other authorized person who receives the money for exchange, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

d. *Exports.* (1) The purchase of any dollar instrument shall be considered as an export from the theater, regardless of the payee named thereon.

(2) The exchange of marks, Austrian money, or currency of any other country within the theater, for the currency of any country *outside* of the theater shall be considered as an export.

(3) All exports shall be deducted from the balance in column 5 or 8 by appropriate entries in either column 4 or 7.

(4) Export currency exchanges (subparagraph (2) above) will not be made without presentation of proper travel orders and/or compliance with such other regulations as may be promulgated by the Theater Fiscal Director.

(5) All export entries will be made by the officer, cashier, or other authorized person who receives the money for exchange or transmittal, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

e. *Imports.* (1) The cashing of any dollar instrument shall be considered as an import into the theater.

(a) The finance officer, cashier, or other authorized person cashing such instrument will furnish a certificate dated, signed and stamped with his block stamp or APO stamp substantially as follows: "I certify that I have on this date cashed a (check) (traveler's check) (money order) (bank draft) for ----- (name, rank, and organization) in the amount of \$----- or equivalent, and that such amount

has been properly entered in the concerned individual's Currency Control Record."

(b) The person for whom such transaction is effected will be advised to retain such certificate until the book in which the corresponding entry is made has been used up and replaced.

(2) The exchange of any currency of a country outside the theater for marks, Austrian money, or currency of any other country within the theater shall be considered as an import.

(3) All imports shall be added to the balance in column 5 or 8 by appropriate entries in either column 3 or 6.

(4) All import entries will be made by the officer, cashier, or other authorized person handling the transaction, who will authenticate the entry by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

(5) Except for new arrivals in the theater and personnel returning from the ZI, the amount of imports through currency exchange (subparagraph (2) above) shall not exceed the amount of previous currency export (subparagraph d (2) above) plus such pay and allowances as have been paid during absence.

*f. Purchases.* (1) The dollar value of all purchases from official agencies in the theater, such as exchanges, commissaries, clothing stores and messes, shall be entered in column 4 (or 7) and the balance of column 5 (or 8) reduced accordingly. Such entries will be made to the nearest dollar, and no entry need be made for individual purchases amounting to less than \$0.50. Entries will be made by the person receiving payment.

(2) In order to reduce the number of entries in the Record the agencies concerned will, where practicable, establish a credit, coupon, chit or similar sales system, so that the one debit entry will eliminate a number of entries for subsequent transactions. In the case of messes where each meal is paid for separately in advance, such credit, coupon, chit or similar sales system is mandatory for permanent members of such messes.

(3) All entries for purchases, which reduce the balance available, will be made by the person receiving payment and will be authenticated.

*g. The transfer of funds to a dependent's Record* will be accomplished by appropriate entry in columns 3 (or 6) and 5 (or 8) of the dependent's Record, and similar entry in column 4 (or 7) reducing the balance available in column 5 (or 8) of the Record of the head of the family. Such entries will be made by the personnel officer and authenticated by signature and serial number (or AGO identification card register number in case such official is a civilian) in column 9.

*h.* All entries which increase the total balance available (column 5 plus column 8) will be made only by authorized personnel, as defined herein, who will authenticate entries by signature and serial number (or AGO identification card register number in case such official is a civilian).

*i.* No exchange, export, purchase or transfer will be made of amount greater than the last balance shown in column 5 or 8, whichever is applicable.

*6. Space Exhausted in Record.* When space has been exhausted in any individual's Currency Control Record, he will be issued a new

Record with an initial balance equal to the currency he then has in his possession but not more than the final balance on his old Record. The new initial entry will be verified and authenticated by the personnel officer concerned; the old book will at the same time be taken up by such personnel officer, the action required by Par 4, above, completed, and the old book destroyed. (See paragraph 11)

7. *New Arrival in Theater.* a. All finance officers exchanging currency from outside this theater into the currency of a country in this theater, for the personnel arriving in the theater without a Currency Control Record, will furnish such personnel, including dependents, with a statement in substantially the following form:

"I certify that I have converted-----dollars (in words and figures) worth of----- (name of country,) money into----- (name of country) currency for----- (name, rank and serial number) who has recently arrived in the European theater."

Such certificates will be dated and signed by the finance officer, giving his disbursing symbol number.

b. Upon arrival at his first station in this theater, the individual will be issued his Currency Control Record by his unit personnel officer or such official as may be designated by the commander to act as such (see Par 3b). Such personnel officer will make an initial entry therein not exceeding the amount stated in the certificate referred to in a above, and make and file the records prescribed in Par 4.

8. *Departure from Theater.* a. When an individual, upon departure from the theater on permanent change of station, makes his final exchange of currency, his Currency Control Record will be taken up by the officer making the exchange and destroyed. (See paragraph 11)

b. When an individual departs from the theater on leave, temporary duty or detached service, any currency of a country within this theater which he exchanges will be entered as in Par. 5d above, and when such person returns to this theater, his exchange of outside currency for currency of a country in the theater will be entered as in Par 5e above.

9. *Loss of Record.* a. When a Currency Control Record has been lost or destroyed the owner will execute a certificate or affidavit as follows:

"I \*(certify) \*(solemnly swear) \*(affirm) that my Currency Control Record No.----- has been \*(lost) \*(destroyed) under the following circumstances----- and that---- (amount and type of currency) which I have in my possession does not exceed the balance on my old Record in the type of currency involved; and that this currency was obtained only from cash pay and allowances received in this theater and money lawfully imported into this theater."

b. (1) Upon execution of such certificate or affidavit, a new Record will be issued with an initial balance in the amount and type of currency the individual has in his possession but not greater than the sum stated in such certificate or affidavit, subject to the provisions of (2) below.

(2) The personnel officer will compare the amount arrived at as provided in (1) above, with the initial balance and date of previous last Record and will approve such amount only if the increase, if any, in the former can be accounted for as pay and allowances received in

\*Strike out parenthetical words not applicable.

the interim and/or importations substantiated by evidence supplied by the claimant (see Par 5e (1) (a) and (b)). In the event reconciliation cannot be thus effected, the amount claimed will be reduced accordingly and such reduced amount will be entered as the initial balance in the replaced Record.

(3) As thus approved by the personnel officer, the new initial entry will be authenticated and the action required by Par 4, above, completed. (See paragraph 11)

c. Individuals requesting transmittal and/or exchange or conversion service at finance or postal facilities who claim to have lost their Records *will not* be granted transmittal service (PTA, Spearhead Deposit, Postal Money Order, Soldier's Deposit, etc), but may exchange into other theater currencies in a *nominal amount* sufficient to overcome a demonstrated emergency pending issuance of a new Record.

10. *Pay from Army Agencies.* Money received by enlisted men as payment for employment at Army agencies may be entered in the Currency Control Record as provided by Par 5b.

11. a. In the case of used-up or closed-out Records (Par 6 and 8a), the cover thereof bearing the serial number will be mailed on the first day of each month by letter of transmittal to this headquarters, attention of the Adjutant General, in order that such numbers may be cancelled from the list of outstanding Records.

b. When new Records are issued to replace those which have been lost (Par 9) the serial number of the lost Records will be reported by letter to this headquarters, attention of the Adjutant General.

c. The Adjutant General, this headquarters, will in the case of serial numbers of lost books (b above) furnish a list of such numbers to the Theater Fiscal Director and the Theater Postal Officer.

12. Reference is made to letter, this headquarters, AG 123.7 GAP-AGO, subject: "Prohibition against circulating, importing, mailing, or exporting United States and Continental Currencies, including British currency, in Liberated and Occupied Areas, and transaction involving all currencies except through official channels," 27 February 1946, and to Circular 64, WD, 5 Mar 1946.

13. *Violation.* Any false or unauthorized entry in the Currency Control Record, any improper exchange or transmittal of currency, or any other violation or evasion of the terms of this circular, will be dealt with by appropriate disciplinary action.

By command of General McNarney:

H. R. BULL,  
Major General, GSC, Chief of Staff.

Official:

L. S. Ostrander,  
L. S. OSTRANDER,  
Brigadier General, USA, Adjutant General.

Distribution: F.

STAFF STUDY OF THE RECONVERSION FEATURE OF  
CURRENCY EXCHANGE CONTROL

Prepared by Committee on Currency Exchange Control

26 APRIL 1946

## STATEMENT OF THE PROBLEM

The problem has now arisen as to whether or not the U. S. Army should, in the future, discontinue the reconversion of foreign currency into dollars or dollar instrumentalities in order to establish rigid currency exchange controls.

## FACTS BEARING ON THE PROBLEM

*A. Excesses of Foreign Currencies.* The Army, in surveying the accounts of various foreign currencies now held within the several Theaters of Operations, finds that it has reconverted for military or "authorized" civilian personnel foreign currencies in excess of pay and allowances in the following amounts.

German Allied Military Mark Currency-----	\$34,000,000
Netherlands Guilder Currency-----	20,000,000
Austrian Schilling Currency-----	13,000,000
Japanese Yen Currency-----	11,000,000
Czechoslovakian Crown Currency-----	3,000,000
Total-----	81,000,000

No War Department appropriations are available to meet these excess reconversions. Disposition of these excesses and recovery of the dollar equivalents can only be through—

a. Using the currency for local procurement purposes in the country concerned,

b. Turning the currency back to the country concerned for dollars,

c. Working off the excess through sale to U. S. Commercial firms,

d. Accepting the loss and asking the Congress of the U. S. to relieve the Army of this responsibility by appropriation of the necessary dollars to back the excess foreign currencies,

e. Enforcement of strict exchange control to the end that, where troops are still located in a specific foreign country where an excess exists, the excess be gradually reduced.

Attention is invited to the fact that recovery by the methods in *a*, *b*, *c*, and *d* above is normally not easily accomplished and in *a*, *b*, and *c* could not be done without the permission of the country involved. In the case of Germany and Japan, only the methods in *d* and *e* are open to recover from this position.

Of direct concern to the staff study herein is the fact that these currency excesses should not continue to increase, nor should new excesses be allowed to exist in U. S. Army overseas accounts during the occupation period.

*B. Background.* During the initial Combat Phase of World War II, the control over the reconversion of foreign currencies held by individuals of the Armed Forces into U. S. dollars or dollar instruments was not considered an immediate problem to the U. S. Army by virtue of—

- a. The controls already in effect by and within the allied and neutral foreign countries,
- b. The additional controls effected by the U. S. Army and,
- c. The scarcity of time in which the members of the Armed Forces had opportunity to deal in currency transactions involving relationship between foreign currency and the U. S. dollar.

In the later stages of combat and during the redeployment period, especially in the European Theater of Operation and in other areas where the effects of the war disturbed the local currency equation, some American military as well as civilian personnel associated with the prosecution of the war or the occupation, acquired abnormal amounts of foreign currency and used U. S. Army facilities as a means of converting such currency directly or indirectly into U. S. dollars.

Controls, to the extent administratively feasible in the various areas in which American personnel were stationed, were attempted during this period by the various theater commanders. These controls permitted the reconversion into dollars or dollar instruments of any portion of the pay and allowances of military personnel drawn in foreign currencies. The procedures involved in allowing such reconversion are covered in C below.

Within the military enclave itself, despite the controls attempted, authorized personnel have, through the reconversion privileges offered them, returned foreign currencies in excess of the amount originally paid them.

**C. Present Currency Exchange Controls.** In the European and Mediterranean Theaters a system of individual control books has been established. Each individual paid by the U. S. Army disbursing officer acquires a control book in which his unencumbered pay and allowances issued him or dollar instruments converted into foreign currency are recorded. Similarly each reconversion of foreign currency into dollars or dollar instruments is recorded and appropriate deductions made from the available balance as noted in the book. In this manner no individual can reconvert foreign currency into dollars for a sum greater than the dollar value of the balances available in his control book.

The Pacific Theater does not use the control book system, and has, to date, effected controls through the medium of circulars and theater directives plus the medium of certifications and affidavits signed by the personnel requesting reconversion of foreign currency. Information from the Pacific Theater, however, indicates that the excess return of Yen recently appearing dictates stricter enforcement of existing controls or the initiation of stricter controls than now used.

The administrative burden of a book control is considerable. It requires that the personnel officer of each organization maintain the control books, record all money issued to the soldier and record and deduct all reconversion or other transactions desired by the soldier. It requires close checks and supervision to insure that the individual does not illegally acquire control books and forge entries in such control books.

It requires continuous renewal of books if they become lost, torn up or stolen. It requires that any funds received by the individual from nonappropriated funds source such as company funds, post exchange,

etc., be coordinated with the personnel officer before payment is made. At its best, the human element of error is ever present.

Under this system, however, it is still possible for an individual to draw his pay in foreign money, spend it in the local community, replace it by black market activity and turn it into dollars up to the net credit balance on his control card by reconversion through the disbursing officer. The individual may also use foreign currency received through the black market in commissary and post exchange purchases, which currency in turn is reconverted into dollar instruments.

*D. Proposed Currency Exchange Control.* The War Department, with relevant theater representatives, is presently considering more rigid currency exchange controls on a uniform basis in those countries where an unstable currency situation exists.

The proposal for strengthening controls includes the introduction of a medium of exchange to be used within the military enclave (PX's, clubs, messes, etc.) which would be freely exchanged into dollar instruments for "authorized" personnel by the Army. Individual military personnel will, on occasion, have use for foreign currency. Such foreign currency can be purchased with the same medium of exchange as will be used in the military enclave, at the approved rate of exchange.

The reconversion of this foreign currency, if permitted, can only be controlled through the medium of an exchange control book or other administrative control. In order to effect a complete control, not resulting in further excesses and eventual possible cost to the American taxpayer, additional personnel will be needed for this function and additional administrative burden will be placed on the individual military personnel.

*F. Banking Facilities.* Since facilities are available through Army Finance channels for transmittal to the United States of the unexpended part of a soldier's pay and allowance drawn overseas, there is no special need for the use of commercial banking facilities for such transmittal.

It is further believed that virtually no foreign banking institutions would freely reconvert foreign currencies into dollars for American military personnel in liberated or occupied areas without the dollar counterpart having been originally deposited with the banking institution.

Banking facilities which would be available for—

- a. The deposit of dollar instruments.
- b. The drawing of foreign currencies against those dollar instruments and,
- c. The reconversion of any part or all (minus banking charges) of the foreign currency into dollars or dollar instruments already or could easily be made available to authorized personnel in countries such as England, France, Belgium, Netherlands, Italy, Japan, etc.

The facility of Soldier Deposits within the Army system, offering as dollar or dollar instrument depository upon which drawings can be made, is available for use within the occupied areas such as Germany.

*G. Theater Consideration Requested.* By radios WARX 83567, 83568, 83566, 5 April (see Appendix A) the commanding Generals of the European, Mediterranean and Pacific Theaters were requested to

consider the advisability of implementation of a rigid currency exchange control with a provision that foreign currencies in the hands of "authorized" personnel will not be reconverted into dollars or dollar instrumentalities from 1 July 1946 forward.

*H. War Department Conference.* Theater representatives are presently in conference with representatives of the War Department on the subject of currency exchange control for overseas areas. The problem of non-reconversion has been discussed in considerable detail.

#### DISCUSSION

The proposed controls as presently envisaged include the use of a "medium of exchange" within the military enclave. This measure will very materially reduce the amount of foreign currencies needed by the "authorized" personnel in overseas areas. The added feature of non-reconversion of foreign currency will absolutely assure that excesses of foreign currencies, with the resulting deficit in the War Department dollar accounts, cannot accrue in the future. Furthermore, existing excesses in Germany and Japan can be gradually reduced and finally eliminated.

The feature of non-reconversion will to some extent require planned purchasing and handling of such currency by the individual. It will be to his advantage to purchase only those amounts of currency he needs, facilities for which will be provided. He will have full knowledge that reconversion is impossible.

This feature opens the possibility whereby personnel may leave their overseas station with small amounts of foreign currency, representing part of pay and allowances, which cannot be reconverted into U. S. money. This, however, has been the case for military personnel in China throughout the war, resulting in little if no criticism of the Army.

The non-reconversion feature will, however, free him of the administrative details accompanying the use of a control book, eliminate approval by the personnel officer each time he needs foreign currency, and will in general allow relatively greater freedom of activity in his personal currency transactions outside the military enclave. This feature of non-reconversion will release Army administrative personnel of a considerable burden.

Under any system of control allowing reconversion, it is possible for a person to draw his pay in foreign currency, spend it in the local community, replace it through black market activity and convert the non-dollar backed currency into dollars up to the net credit balance on his control card. Accordingly, an unequal opportunity presents itself, depending on the station overseas to which he has been assigned, to individuals within the Army. This practice might well result in criticism of the U. S. Army.

Currency exchange control measures effected to date and containing reconversion privileges having consistently been proven inadequate over a period of several months. There is no reason to assume that control measures again promulgated with reconversion privileges will be adequate to prevent excesses of foreign currency in U. S. Army accounts.

Representatives of the European, Mediterranean and Pacific Theater in conference with War Department representatives from G-1,

OPD, Budget Division, CAD and Office Chief of Finance on the subject of Currency Exchange Control have informally, following detailed discussion, reached the consensus of opinion that reconversion of foreign currency into dollars should not be permitted. It is not considered that any other feasible controls will prevent reconversions in excess of appropriated funds available to meet such reconversions.

#### CONCLUSIONS

A. The seriousness of the situation, which has already resulted in potential additional cost for which the War Department has no appropriations, demands that a completely effective currency control be established.

B. The keystone to absolute currency exchange control is non-reconversion of foreign currency for authorized personnel.

C. Non-reconversion would not be a serious handicap to military personnel in overseas areas inasmuch as all transactions in military installations will, in the future, be in dollar instruments or special "medium of exchange", and the need for foreign currency by military personnel will consistently be at a minimum.

D. A reconversion feature to a currency exchange control plan will afford an unequal opportunity to personnel in the military service stationed in various areas throughout the world and might possibly result in criticism of the War Department.

#### RECOMMENDATIONS

A. That the feature of non-reconversion be incorporated in the proposed plan for complete currency exchange controls.

B. That, following approval of War Department on the feature of a single "medium of exchange" for use within the military enclave overseas, the theater commanders be contacted either by radios or teleconferences for their final comments on the non-reconversion feature of currency exchange control prior to War Department announcement of policy.

\* \* \* \* \*

#### STAFF STUDY ON THE MAJOR CONSIDERATIONS AFFECTING THE LEGALITY OF THE USE OF A SINGLE SPECIAL MEDIUM OF EXCHANGE WITHIN THE MILITARY ENCLAVE

Prepared by: Chief, Foreign Financial Branch, Budget Division,  
WDSS

27 APRIL 1946

#### STATEMENT OF THE PROBLEM

The problem has now arisen as to the legality of the use by the U. S. Armed Forces, for all purposes within the military enclaves in the European, Mediterranean, and Pacific Theaters, of a special medium of exchange which the War Department would buy with appropriated funds, out of Army Account of Advances, from the Treasury Department.

## FACTS BEARING ON THE PROBLEM

*A. Excesses of Foreign Currencies.* The Army, in surveying the accounts of various foreign currencies now held within the several Theaters of Operations, finds that it has reconverted for military or "authorized" civilian personnel foreign currencies in excess of pay and allowances in the following approximate amounts:

German Allied Military Mark Currency-----	\$34,000,000
Netherlands Guilder Currency-----	20,000,000
Austrian Schilling Currency-----	13,000,000
Japanese Yen Currency-----	11,000,000
Czechoslovakian Crown Currency-----	3,000,000
Total-----	81,000,000

No War Department appropriations are available to meet these excess reconversions. Recovery of the U. S. dollar countervalue of these excesses can only be through—

a. Using the currency for local procurement purposes in the country concerned,

b. Turning the currency directly back to the country concerned for dollars,

c. Working off the excess through sale of U. S. Commercial firms,

d. Accepting the loss and asking the Congress of the U. S. to relieve the Army of this responsibility by appropriation of the necessary dollars to back the excess foreign currencies,

e. Absorb the loss under the provisions of Section 2 of Public Law 554, 78th Congress,

f. Enforcement of strict exchange control to the end that, where troops are still located in a specific foreign country where an excess exists, the excess be gradually reduced.

Attention is invited to the fact that recovery by the methods in *a*, *b*, *c*, and *d* above is normally not easily accomplished and in *a*, *b*, and *c* could not be done without the permission of the country involved. The method in *e* would probably require Comptroller General and/or Treasury Department approval. In the case of Germany and Japan, only the methods in *d*, *e*, and *f* are open to recover from this position.

This staff study assumes that these currency excesses should not continue to increase, nor should new excesses be allowed to accrue to U. S. Army accounts during the occupation period.

*B. Background.* During the initial Combat Phase of World War II, the control over the reconversion of foreign currencies held by individuals of the Armed Forces into U. S. dollars or dollar instruments was not considered an immediate problem because of—

a. The controls already in effect by and within the allied and neutral foreign countries, and inherent in certain SHAEF agreements and directives thereunder;

b. The additional controls effected by the U. S. Army; and

c. The scarcity of time in which the members of the Armed Forces had opportunity to deal in currency transactions involving the relationship between foreign currency and the U. S. dollar.

In the later stages of combat and during the redeployment period, especially in the European Theater of Operation and in other, areas

where the effects of the war disturbed the local currency equation, some American military as well as civilian personnel associated with the prosecution of the war or the occupation, acquired abnormal amounts of foreign currency and used U. S. Army facilities as a means of converting such currency directly or indirectly into U. S. dollars.

Controls, to the extent administratively feasible in the various areas in which American personnel were stationed, were attempted during this period by the various theater commanders. These controls permitted the reconversion into dollars or dollar instrument of any portion of the pay and allowances of military personnel drawn in foreign currencies. Within the military enclave itself, despite the controls attempted, authorized personnel have, through the reconversion privileges offered them, returned foreign currencies in excess of the amount originally drawn by them. The procedures involved in allowing excess reconversions are covered in C below.

C. *War Department Acquisition of the Single Medium of Exchange.* In certain areas the War Department has paid for local currency, to be held available for drawing as pay and allowances if desired, through outright purchase by U. S. dollar Treasury Check or other direct dollar credit to the foreign government. This method was used only in those areas not directly involved in combat operations, such as Australia, India, South America, and the United Kingdom. The same mode of purchase was employed to acquire Philippine "Victory" Pesos, but this was in order to meet the provisions governing required dollar backing for the Philippine peso.

In areas such as France, Netherlands, Belgium, Netherlands East Indies, Italy, Germany, Austria, and Japan, the currencies decided upon for those particular areas were advanced to the U. S. Army and the dollar countervalues thereof were charged against Army Account of Advances and placed in a special deposit account, one for each country involved, in the Treasury Department. The purpose of such special accounts was to provide, not dollar backing in lieu of the sovereign liability of the relevant issuing country, but to provide a source of dollars to be drawn upon when military personnel requested reconversion of the foreign currencies in their possession, drawn by them as pay and allowances, which they deemed excess to their needs.

It will be noted from the table in par. A above, that at the present time the U. S. Army does not have sufficient dollars set aside to reconvert the AM Mark, Guilder, Yen and certain other currencies now in the hands of official or quasi-official organizations or in the pockets of its military and civilian personnel. A major portion of the excess foreign currencies now held by the U. S. Army result from the following:

a. On the disbursements side, the U. S. Army pays and records as pay and allowances only for its own military personnel and civilians working directly for the military establishment.

b. On the receipts side, however, owing to the availability of Army service and administrative facilities to many U. S. civilians not paid by the War Department, and to non-U. S. personnel affiliated with the U. S. military establishment, cash collections reflect the foreign currencies received from all such personnel in these facilities, and returned by the latter to U. S. Army Finance Officers for reconversion into dollars.

Stated in another manner, through its vast network of administrative and service facilities, the U. S. Army has received foreign currency for which it cannot readily find an outlet, and for which there is no dollar equivalent appropriated to the War Department.

The elimination of such conditions is, in essence, the basic problem which must be solved in order to achieve the maximum possible foreign currency exchange control. The acquisition by the War Department of a single special medium of exchange, from the Treasury Department would be predicated upon the proposition that whatever flows into the Army service and administrative facilities, from authorized personnel enjoying privileges therein, regardless of status or nationality if properly accredited, should be backed at all times by dollars under War Department control. This may be accomplished as follows:

- a. The War Department purchase outright control of a single special medium of exchange from the Treasury Department by charging Army Account of Advances; and,

- b. The proceeds of such purchase be deposited in a "Special Deposit Account" in the Treasury Department in such form that the funds therein:

- (1) Can be used solely to provide the dollar backing for the special medium of exchange to be used within the military enclave; and

- (2) Cannot be used by any other agency of the U. S. Government for any purpose national or international, according to political pressures; and

- (3) Cannot lapse, or revert to the General Fund, until it has served its purpose.

D. *Employment of the Single Medium of Exchange.* It has been assumed that the proposed single medium of exchange will be used exclusively, as the only authorized medium of exchange for purchasing goods and services, in:

- a. All Army Post exchanges and all Navy Ship's service stores.
- b. All U. S. Army and Navy sales and service installations and activities.

- c. Theater, moving picture and other entertainment facilities operated by the military establishments.

- d. Officers' and enlisted men's messes and clubs, including Red Cross installations.

- e. Wherever ultimate remittance to the United States through Army channels is involved, contributions for all eleemosynary purposes, including all authorized charitable appeals, including church collections and Chaplain's funds.

- f. Wherever ultimate remittance to the United States through Army channels is involved, payments to all travel agencies, radio, cable, telegraph and telephone companies, and all other service facilities of similar types.

In addition, the authorized personnel in possession of the proposed medium of exchange may use it at any time for the purchase of military payment orders, postal money orders, U. S. stamps, U. S. Treasury checks and U. S. dollar currency and coin under suitable appropriate conditions, traveler checks, U. S. Savings Bonds, personal transfers to the U. S., and for making soldiers' deposits.

Furthermore, if military or authorized personnel desire local foreign currency for expenditures outside the military enclave, the proposed medium of exchange may be converted by Finance officers into such local currency at the prescribed rate of exchange.

It should be noted that no member of the military establishment will be required to draw any part of overseas pay and allowances in the proposed medium of exchange. It is proposed that personnel paid by U. S. Armed Forces will be given the choice of drawing their pay and allowances overseas in:

- a. Military payment orders; or
- b. The proposed medium of exchange; or
- c. Any combination of the above.

The same would be true for the encashment of various dollar instruments received from the U. S.

*E. General Approach to Legality.* According to Article I, Section 8, Paragraph 5 of the Constitution of the United States, the Congress shall have the power "To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures".

Many U. S. Army and Navy service facilities, in many areas within and without the continental U. S., currently require the use of special coupons, scrip or special media of exchange in order to make purchases therein. In many instances, the acquisition of such currently used media of exchange is by pay-roll deduction; that is, military personnel, at their own choice, draw a portion of their pay and allowances in these special media of exchange.

All of the proposed medium of exchange would have complete "appropriated" U. S. dollar backing ab initio. Other than by the introduction of counterfeit reproduction of the proposed medium of exchange, no excess of such a medium could be acquired by the U. S. Army, since the Army would have *complete* control over disbursements only to authorized personnel of the medium of exchange. Stated from another point of view, since the proposed medium of exchange would be used only under terms and conditions controlled by the War Department and by the affected theater commanders, the U. S. Army would not be called upon to take in as cash collections any medium of exchange other than that which is proposed, none of which could have been acquired by authorized personnel in exchange for non-U. S. dollars or non-U. S. dollar instrumentalities.

The War Department proposals, as set forth above in paragraph C, contemplates the purchase of the proposed medium of exchange in a manner similar to that by which the War Department has acquired the local currencies of all countries in which no immediate dollar credit was made available to the foreign government, regardless of whether printed by them or by the U. S. for them.

It is contemplated that the production of the proposed medium of exchange will be accomplished by the U. S. Bureau of Engraving and Printing who have every means at their disposal to preclude counterfeiting. These include special papers, inks and serialization. It is estimated that the use of nondetachable coupons, with a one-time use, would require six to nine times the number of printed pieces of paper that would be required for the proposed single medium of exchange. Some of the additional cost can be readily applied to further anti-counterfeiting devices on the single medium of exchange.

The Judge Advocate General, the Treasury Department and the Comptroller General have, in the past, agreed to allow U. S. military personnel overseas to draw a portion of their pay in local foreign currencies, even when the dollars backing necessary to reconvert same was not clearly apparent except by the fiat of creating special deposit accounts, subject, under the "certification of net troop pay" system, to overdepletion and therefore reliance upon the ability of a foreign government to return overcertified dollars. In addition, the same local currencies are in the hands of Allied military and civilian personnel using U. S. Army facilities, but such holdings are often without dollar backing for reconversion purposes.

*F. Administration in the Field.*—Various proposals relating to a media of exchange for use within the military enclaves in the three theaters have been thoroughly canvassed by the staff divisions and technicians of the War Department and by the representatives of the European, Mediterranean, and Pacific Theaters.

Included in these discussions have been such proposals as:

- a. Fixed denomination military payment orders in bearer form.
- b. Military payment orders issued in accordance with the provisions of WD Circular 159/45.
- c. Coupon books of different gross values, each containing varying quantities of nondetachable coupons of various denominations from five cents to five dollars per coupon.
- d. Continuous scrip certificates, similar to the American railroad mileage book.
- e. Military certificates, as proposed by the U. S. Treasury Department.
- f. Special canteen money as proposed by the U. K. Treasury.
- g. Any combination of the above.

Nondetachable coupons, or scrip certificate strips have many disadvantages, far outweighing any advantages that may be gained by trying to enforce a one-time, nontransferable use which results in enormous accumulations and handling of paper in all military enclave installations, since even low-denomination pieces of strip scrip or coupons could not be used in making change. It should be noted that a question of bulk is of equal nuisance value to the individual and to the service facility. In addition, the nondetachable feature of scrip certificate strips and/or coupon books, aside from the enforcement difficulty, precludes ready settlement of petty-cash transactions by the individuals that constantly arise at mealtimes, in clubs, etc., to say nothing of the great variety of cash settlements constantly arising between individuals in any large community.

The issuance of books of nondetachable coupons, implying non-negotiability, presents two grave difficulties:

- a. The personal inconveniences are greatly multiplied by use of a nondetachable coupon book. Although the gross amount left in a coupon book may be sufficient to meet purchases contemplated, the denominations may not be suitable and no change could be offered by the facility. In the second place, while shopping or relaxing within the military enclave, the holder of a coupon book may run short and might not have enough dollar instruments on his person to acquire another one. He could not borrow from another because the mode of repayment might be difficult of accomplishment in odd amounts. While it is true that the

same circumstance of running short is applicable to the proposed medium of exchange, its negotiability would allow for borrowing and repayment without affecting its dollar backing or violating any regulations.

b. After their single use, the procedure for the disposition of coupons results in many successive handlings in order to accomplish accounting and reconversion into dollars prior to their ultimate destruction. Each step requires manpower and permits of error. As masses of detached coupons and/or whole coupon books flow up to the central offices and higher echelons, the time consumed in counting and checking (with concurrent greater risk of error and loss) increases. The volume of work would be tremendous and manpower in the theaters is limited. In many areas, this type of accounting is being done by former enemy nationals (PW's) or displaced persons. Here again, through the medium of private arrangements which might be consummated at any stage in the handling of coupon books prior to their destruction, it is quite possible for whole coupon books (tendered for an expensive purchase) to get back into circulation; thereby becoming a medium of exchange with no dollar backing.

Finally, use of the proposed medium of exchange within the military enclave will be binding on those, following proper accreditation, who have been the chief causes of excess cash collections of foreign currencies acquired from non-War Department dollar sources, including:

- a. Employees of other U. S. Government agencies.
- b. U. S. employees who, under special conditions, are currently paid in local currency.
- c. Businessmen travelling on invitational orders.
- d. Air-line crews, whether of ATC or private commercial lines.
- e. Allied Forces, military or civilian, affiliated with U. S. military headquarters, or having access to U. S. facilities.
- f. *All black-market operators.*

#### DISCUSSION

The proposed single special medium of exchange, in conjunction with the presently proposed War Department circular on foreign currency exchange control, will very materially reduce the need for all authorized personnel in overseas areas to retain large holdings of foreign currency. In addition, the use of the proposed medium of exchange would eliminate all foreign currency from circulation within the military enclave in all official and quasi-official organizations and facilities.

The smaller the amount of foreign currency needed by all authorized personnel overseas, the less danger exists that the U. S. Army will acquire excess amounts of foreign currencies, in the event that a "no reconversion" policy is not adopted and reliance must be placed on currency control books. In addition, the reduced requirements of military personnel for foreign currencies, and the elimination of foreign currency from quasi-official channels will greatly lessen the overall requirements of the Armed Forces to maintain large on-hand balances of foreign currencies. This is particularly desirable during the difficult economic period lying just ahead and the potentialities of

rapid changes in foreign exchange rates because of these unstable economic conditions.

Given the general policy of the U. S. Government with regard to the sovereign powers of a foreign government, with particular reference to the latter's responsibility for currency rates of exchange, it does not seem likely that too many written currency repurchase agreements will be consummated between the U. S. and various foreign governments, guaranteeing U. S. Armed Forces official, quasi-official, and personal funds against exchange losses. The absorption of such losses should be held to a minimum by adopting a medium of exchange designed to keep foreign exchange balances in the hands of U. S. Army Disbursing Officers at a minimum.

The greatest advantage, however, of the proposed single medium of exchange is that such a medium will be entirely controlled as to its circulation within the military enclave by the U. S. Armed Forces. Since such a medium designed exclusively for use within the military enclave would have no value in the local economy of any country, it would have no great appeal for black-market operations.

Even if it did get into the hands of indigenous populations, the proposed method of acquisition from the Treasury Department and the regulations for its use as contemplated by the proposed War Department Circular, would result in complete "appropriated" dollar backing at all times for the proposed medium of exchange, regardless of who becomes authorized personnel under the theater commanders' regulations. In other words, the proceeds of black-market operations, no matter how widespread, could not flow back into the military enclave even if military personnel acquired the proposed medium of exchange from local civilians, since the original mode of its introduction into circulation would have already required full dollar backing.

This statement cannot be made concerning liberated or occupied area currencies, since access to such local currencies may be had by many who are paid by U. S. agencies other than the War Department; are paid by agencies which acquire their foreign currencies without U. S. dollar backing; or are the direct results of black-market operations.

From the point of view of general legality, this factor may or may not have great weight; but as various U. S. Government agencies have to date approved the use of certain occupation and invasion currencies, the proposed medium of exchange should be considered at least as favorable.

The War Department and theater representatives are unanimous, following thorough investigation of the various media of exchange or combinations thereof, in their strong support of a single medium of exchange, good in all installations within the military enclave and valid for all conversions into dollar instruments, as the only sound solution to both problems of the elimination of all foreign currencies from the military enclave and of the exclusion of media of exchange not acquired originally by War Department dollar backing.

#### CONCLUSIONS

A. The seriousness of the situation, which has already resulted in a potential drain of nearly \$100,000,000 on the War Department, for

which it has no appropriated funds, demands that a completely effective foreign currency exchange control system be established for the occupation period.

B. The War Department must devise a special medium of exchange for the military enclave which will effectively preclude the use in official and quasiofficial service and administrative facilities of all media other than those backed by War Department appropriated funds.

C. The medium of exchange adopted, and its mode of circulation, must, in the interest of effective control, be simple and reduce the administrative burden, thus allowing least possible loopholes, to the minimum, yet flexible enough to meet varying local requirements.

D. Its use must be approved by the War Department, the Treasury Department, the Attorney General, and the Comptroller General. In view of the presently approved overseas financial procedures for using various foreign and special occupation currencies, the proposed single medium of exchange seems highly susceptible of general approval and legality.

#### RECOMMENDATIONS

A. That the general legality of the proposed single medium of exchange be submitted to the General Counsel of the Treasury Department, the attorney General and the Comptroller General, following approval by the War Department.

B. That, following War Department approval and declaration of legality, the proposed medium of exchange be prescribed in the proposed War Department Circular on foreign currency exchange control.

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WDSBU 123.7 (27 Apr. 46).

#### FOREIGN CURRENCY EXCHANGE CONTROL

27 APRIL 1946.

#### MEMORANDUM FOR THE BUDGET OFFICER FOR THE WAR DEPARTMENT

1. Conferences and prolonged discussions have been held each day of the past week in an effort to devise the most complete and effective foreign exchange control plan feasible, considering both the effect on the morale of military personnel and on the financial interests of the U. S. Government. Staff and Fiscal representatives of the European, Mediterranean, and Pacific Theaters as well as representatives of War Department G-1, OPD, Budget Division, CAD and OCF/ASF have participated in these discussions.

2. Two basic problems have arisen for which solutions must be reached before the group can proceed further with the promulgation of firm War Department and Theater policies on the subject of Foreign Currency Exchange Control.

3. The first problem, the use of a single "medium of exchange" for paying troops and its use within the military enclave overseas, if legally possible, is discussed in some detail in Tab "A" attached. It is clearly a War Department responsibility to determine the legality of the proposal.

4. The second problem, whether or not the U. S. Army should, in the future, discontinue the reconversion of foreign currency into dollars

or dollar instrumentalities in order to achieve rigid currency exchange controls is presented in detail in Tab "B" attached. This is a problem upon which policy must be determined by War Department following final comment by the overseas Theater Commanders or their representatives.

5. The representatives of the European, Mediterranean, and Pacific Theaters have indicated strong support of the use of a single "medium of exchange" if legal, and have approved a nonreconversion feature as the keystone to a new currency exchange control plan in the event the use of a single "medium of exchange" is approved by War Department. Following approval and appropriate War Department coordination, it is felt that the Theater Commanders involved should be consulted for comment on the intended War Department announcement of a nonreconversion feature in the proposed currency exchange control plan.

6. In order to achieve effective foreign exchange currency control during the occupation period (Phase III), it is the considered opinion of the undersigned that the War Department should prescribe in its circular to be issued to the Theater Commanders

a. Use of a single "medium of exchange", if legal; and

b. Nonreconversion of foreign currency by finance officers from a given date forward.

C. H. Pforzheimer, Jr.

C. H. PFORZHEIMER, Jr.,

Colonel, GSO.,

Chief, Foreign Financial Branch and  
Chairman, Committee on Currency Exchange Control.

#### RELEVANT EFFECTIVENESS OF THE FOREIGN CURRENCY CONTROL PROCEDURES

1: Pay of personnel of the military establishments overseas in U. S. dollar and currency and coin.

Effectiveness of control: 100%. (No foreign currency reconversion allowed.)

All pros and cons of payment in U. S. dollars overseas are detailed in report on House Resolution 150.

2. Use of a single special medium of exchange within the military enclave and no foreign currency reconversion.

Effectiveness of control: 100%.

All pros and cons are discussed in detail in the memorandum from the undersigned dated 27 April 1946, and the two staff studies inclosed therewith.

3. Use of currency control book and a system of a single medium of exchange or of coupon books within the military enclave.

Effectiveness of control: not complete; dependent entirely upon complicated administrative measures taken to impose mathematical limits on net credit balances accruing in the control book.

This system has already been outlined within the War Department and to the theaters in the proposed War Department Circular as forwarded to them at the beginning of April 1946.

Pros and cons of this combination are discussed in the two staff studies referred to in paragraph 2 above.

Proceeds of black market operations will be introduced into the U. S. Army finance channels (and/or A. P. O. system) to the extent that net credit balances accrue in the currency control books; and/or to the extent that coupon books, or the non-detachable coupons therein, get into circulation more than once.

4. Control books alone (will require tightening in ETO and introduction in AFPAC); virtually status quo.

Effectiveness of control: not complete; dependent upon heavy administrative burden to regulate limits on mathematical accrual of the net credit balances in the cards.

The implied use, under this system, of foreign national and occupation currencies within the military enclave, allows for receipts of such foreign currencies by the U. S. Army, through its various service and administrative facilities, as an excess over the foreign currencies disbursed in pay and allowances. Potential excesses will accrue to the U. S. Armed Forces even though the foreign currencies used by authorized personnel were legitimately acquired, but, of course, acquired with dollars and/or other foreign currencies not of War Department origin or under War Department control.

5. War Department proposed circular is presently set up so that only textual changes necessary to implement final decision.

Carl H. Pforzheimer, Jr.

CARL H. PFORZHEIMER, JR.,

*Colonel, GSC,*

*Chief, Foreign Financial Branch and  
Chairman, Committee on Currency Exchange Control.*

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RCA COMMUNICATIONS, INC.

17 APRIL 1946.

Hq ASF OCF Fiscal Control Br  
FAA Sect SPFBC 6053 Capt  
John H Neill Jr.

CG, USFET Main Frankfurt Germany

Number: WAR 84822

This is for Fiscal Director signed SERVVIS SPFBC.

Radio Corporation of America Communications, Inc., New York, advises Army Disbursing Officer Nurnberg, Germany, has been converting Allied Mil Marks for this company. Record indicates total of 914,409.20 marks converted from Oct. 45 through Mar. 46. Request explanation earliest of basis for such exchanges as War Dept. was advised conversions were being held in abeyance pending final decision in this matter. Unless very special conditions exist regarding which War Dept. has not been advised, request no further conversions be made for any US communications co. presently operating in Germany as final determination this matter has not yet been made by War Dept. Also request info as to whether conversions have been effected by Army for any other US communications companies operating in Nurnberg or elsewhere in Germany? Please expedite reply.

End

Originator: ASF-Fisc  
Distribution: OPD; Bud Div

## INVESTIGATIONS OF CURRENCY CONVERSIONS

23 APRIL 1946.

From: Headquarters, USFET, Main Frankfurt Germany  
To: War Department  
Nr: S 2398

From USFET to for action AGWAR for SERFIS ref no S-2398 reurad W 84822 signed McNarney cite SOFDD.

Investigation discloses that reported conversions in Nurnberg were made. Additional conversions have been prohibited. Disbursing offices in Nurnberg reports conversions October 1945 to March 1946 were 576,531 marks and to date 685,513 marks. Money orders received in same periods were \$27,547.90 and \$30,648.65, respectively. No other conversions are known.

End

Action: ASF  
Info: OPD, Bud Div

## REQUEST FOR INFORMATION

7 MAY 1946.

CAD Operations Div WDGS  
OPD 311.23 CAD  
Capt Hartley 73766

OMGUS Berlin Germany  
Number WAR 87383  
Reured Mar CC 4350 signed WARCAD

Request additional detailed info reurad CC 4350 Mar re acquisition, source and amount of subject neutral currencies found in Germany.

End

Originator: CAD  
Distribution: ASF-Trans, OPD, CAD (State & Treas), Mr. Petersen, Bud Div.

## FOREIGN CURRENCIES TAKEN INTO CUSTODY IN GERMANY

14 MAY 1946.

From: OMGUS Berlin Germany signed Clay.  
To: War Department for WARCAD.  
Nr: CC 4993.

Reourad May CC-4350; reurad May W-87383 our query refers to foreign currencies taken into custody in Germany by occupying armies plus foreign currencies deposited by German residents under law number 53 for U. S. Zone, and corresponding laws other Zones. Amounts are not yet established. Present UK French US position advocates return to issuing country of all foreign currencies other than neutral currencies and use of neutral currencies to finance imports. Our query is: May neutral currencies be so used?

End

Action: CAD.  
Info: CG AAF, ASF, OPD, G-2, Mr. Petersen, Bud Div.

## CONVERSION OF CURRENCY FOR COMMUNICATIONS COMPANIES

22 MAY 1946.

From: USFET Main Frankfurt Germany; Sgt. McNarney cite ETGAP.

To: War Department.

Nr: SC 25402.

Reference is made to letter this Headquarters subject conversion of local currency for communication companies dated 18 March 1946 addressed to the Adjutant General War Department, Attention Fiscal Director and signed by Major General Bull, Chief of Staff. On 17 May 1946 Cartoux, General Manager of Western Union for Europe called at this Headquarters and stated in essence that the present situation of no reconversion of occupation marks now in their possession and currently being taken in by them in payment for transmission of messages, is becoming untenable. Cartoux showed us messages received by him from K. B. Mitchell, Executive Representative of Western Union Central Office, New York City, dated 15 May 1946, which is quoted in part: "But we are reaching the point where we must look at the practical side and since we have not been able to get any favorable decision so far over here we continue to pile up balances which are worthless to us in their present form. In view possibility occupation marks may be recalled as you report, feel we cannot continue our philanthropic policy. Perhaps while in Frankfurt you can develop some pressure angle. War and Treasury fail to respond to overtures so far. Signed K. B. Mitchell." Request decision be furnished earliest practicable date.

End

Action: ASF.

Info: OPD; Bud Div.

## CURRENCY CONTROL

20 APRIL 1946.

1 G-1 USFET  
AG

SA/L&Dis/DHS/mr

20 Apr. 1946.

1. The Chief of Staff directs that a letter substantially as follows be prepared and forwarded by air courier today, to AGWAR for Warbud:

"1. Reference Item 1, D. your Cable W-84593 dated 16 April 1946. The following is an estimate of the number of American or foreign personnel other than those paid by U. S. Army who used Army facilities during the period October 1945 thru March 1946. Estimates prior to October 1945 are not available.

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Non U. S. UNRRA.....	2,223	2,365	2,464	2,319	2,670	3,030
U. S. UNRRA.....	1,020	1,070	1,060	1,520	1,500	1,490
Allied military.....	1,000	600	500	750	770	850
U. S. Navy.....	3,440	1,450	1,310	1,150	1,020	1,150
Red Cross.....	5,050	3,400	3,300	3,090	2,520	2,130
Miscellaneous United States civilians.....	1,000	1,000	1,000	1,210	1,290	1,220

"2. The above figures are theater totals with no indication of what facilities were used or type of currencies involved, except that the numbers of personnel indicated are not paid from Army appropriations.

"3. Certain other classes of non-U. S. personnel, such as employed Polish DP's (30,000), have use of facilities such as the Post Exchange, for limited supplies.

"4. The Theater Fiscal Office is attempting to obtain balance of the information requested.

For the AC of S, G-1:

P. W. BROWN,  
Col., GSC,

Chief, Special Activities Branch.

Tel. Frankfurt 21185.

Subject: Currency Control (Pay of Personnel).

Memo for Record: This letter furnishes a portion of the information requested by subject cable W-84593.

(OM) DHS 20 APRIL.

Letter sent to War Dept as Message form AG 121 GAP-AGO on 20 January 1946. Subject: Currency Exchange Control.

#### CANTEEN MONEY

24 APRIL 1946.

From: HQ USFET Main, Frankfurt, Germany.

To: War Department.

Nr: S-2436.

From CG USFET Main for action AGWAR for WARBUD for Koch for info Western Base Section ref no S-2436 signed McNarney cite ETGAP.

If indications are that canteen money in some form will not be used and purchases at agencies will continue in local currency suggest for consideration some form of authorization to purchase, good at all agencies. At time of issue deduct total value of card or book from balance on control record. On cash payment in local currency require also the surrender or cancellation of coupons of equivalent dollar value. System similar to ration coupons would obviate need for coupons in various agencies to insure deduction from control record. This suggestion from a major command and appears to have merit.

End

Action: Budget Division.

Info: ASF, OPD, G-4.

#### CIRCULAR NUMBER 56

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
27 APR. 1946.

Army Exchange Rations and Allowances.....	I
Complaints.....	II
Establishment of Property Accountability.....	III
Salvage and Disposal of Scrap and Waste in US Occupied Germany.....	IV

I—ARMY EXCHANGE RATIONS AND ALLOWANCES. 1. *Personnel Authorized to Receive.* a. *Sales.* Army exchanges and post exchange distribution points are authorized to sell to the following-named classes of personnel only:

*Scale "A"*

(1) All personnel of the US Army, Navy, Marine Corps, and Coast Guard.

(2) American Red Cross personnel (US citizens).

(3) USO Camp Shows personnel (US citizens).

(4) Accredited correspondents (in US occupied zones only).

(5) US citizens employed by US embassies or their agencies.

(6) US citizens employed by US Army or Navy.

(7) US citizens employed by US Merchant Marine who are permanently stationed in the theater.

(8) Civilian personnel of allied, neutral, and liberated countries who are employed under contract by the US Forces and serving outside their home countries.

(9) Liaison officers assigned and on duty with the US Forces in the theater under orders published by this headquarters.

(10) Allied military personnel on temporary duty with US Forces for seven (7) days or more, for the duration of such temporary duty only.

(11) UNRRA personnel on duty in US occupied zones who are employed under standard UNRRA contracts, paid from UNRRA funds and furnished with UNRRA identification cards.

(12) US businessmen cleared by the State Department and authorized to be in the theater under quota system administered by the War Department in US occupied zones only.

(13) Diplomatic and consular representatives of allied and neutral countries who are authorized to be on duty in US occupied zones.

(14) Dependents in the theater of personnel listed in Pars 1a(1) to (13), above, within the limitations imposed by Cir 57, this headquarters, 27 Apr. 1946, "Assistance from US Military Sources to Civilian Agencies and Personnel". Provision of exchange supplies for this type of personnel will be dependent on availability of existing facilities. Except in the case of wives, dependents under eighteen years of age will not be issued the tobacco ration. Ration cards will be modified accordingly.

(15) In areas where both British and US Army exchanges are in operation, purchase privileges in each case will be restricted to members of the force under which a particular exchange operates. In an area in which only one force (British or US) operates, facilities for equal purchase privileges will be extended to members of both forces (British and US). These equal purchase privileges will normally be extended only so long as members of either force are subsisted by the other.

(16) US citizens employed by European Central Inland Transport Organization. (Ration cards to be issued by US Military Attaché, American Embassy, Brussels, Belgium.)

(17) Special cases as specifically authorized by this headquarters from time to time.

*Scale "B"*

- (1) Polish Guard companies.
- (2) Belgian Auxiliary Air Police.
- (3) Other mobile civilian labor of allied, neutral, and liberated countries, when organized by specific approval of this headquarters into labor units.
- (4) Civilians other than Germans employed by the Theater Chief of Special Services in entertainment teams, while serving within the US occupied zones only.

*Scale "D"*

(1) Mobile civilian labor of allied, neutral, and liberated countries employed by the American Graves Registration Command.

b. *Gratuitous Issue.* Distribution of exchange supplies for personnel listed under Scale "C", below, may be made to appropriate commanding officers on a gratuitous issue basis from Quartermaster supply depots. In instances where such gratuitous issues are made by Army Exchange Service distribution points and unit exchanges, the procedure set forth in Par 13, Sec I, Cir 169, Headquarters, Theater Service Forces, European Theater, 9 Sep 1945, will apply.

*Scale "C"*

(1) Enemy prisoners of War.

(2) Disarmed enemy forces still within enclosures.

2. *Allowances.* Items of merchandise and maximum allowances of each which may be drawn by exchanges for resale to personnel listed in Scales "A", "B", "C", and "D" above will be prescribed by the Theater Chief, Army Exchange Service, through technical channels.

3. *Bulk Supplies.* a. Exchange supplies for personnel listed under Scale "B" will be sold to appropriate commanding officers by Army Exchange Service distribution points and bulk warehouses in bulk only.

b. Exchange supplies for personnel listed under Scale "D" will be sold to the American Graves Registration Command by Army Exchange Service distribution points and bulk warehouses in bulk only. The scale of allowances for personnel in Scale "D" category will be as set forth in 2nd Indorsement, letter, this headquarters, AG 400 GDS-AGO, 15 Feb 1946, on letter, Headquarters, Theater Service Forces, European Theater, AG 322 GAD-AGO, "Problems of Theater Graves Registration Command", 14 Jan 1946.

c. Exchange supplies for US citizens employed by US embassies or their agencies and their authorized dependents will be sold at Army Exchange Service distribution points and warehouses in bulk only. The embassy concerned will be responsible for movement, payment and distribution.

4. *UNRRA.* a. Exchange supplies will be furnished UNRRA personnel in accordance with provisions of letter, this headquarters, AG 401 GDS-AGED, "Procedure for Supply of UNRRA from Army Supply Sources", 8 Jan 1946.

b. Ration cards will be issued by Army Exchange Service to UNRRA American Zone Headquarters for distribution to UNRRA personnel authorized to receive them. All sales to UNRRA person-

nel will be by ration card only. Bulk distribution to UNRRA supply centers is not authorized.

5. *Ration Cards.* a. Attention is invited to Sec VII, Cir 165, this headquarters, 21 Dec 1945, which provides that the Army Exchange Ration Card—European Theater will be honored in all exchanges.

b. Sales to personnel listed under Scale "A" will be made by unit exchanges only on presentation of an official Army Exchange Ration Card—European Theater. Supply of ration cards to individuals is the responsibility of the commanding officer of the individual concerned.

6. *Luxury Items.* a. Sale of luxury items will be covered by separate directive. Current instructions are contained in letter, this headquarters, AG 331.3 GAP-AGO, "Sale of Special Items in Post Exchanges to Allied Personnel", 23 Apr 1946.

7. *Cigarette Issues.* Only other than popular brand cigarettes will be issued to all personnel drawing under Scale "B", "C" and "D".

8. *UK Manufactured Items.* To the extent of availability, UK manufactured items will be issued to Scale "B", "C" and "D" personnel rather than US manufactured items. (AG 331.3 GAP-AGED)

II—COMPLAINTS. 1. Until further notice, the provisions of Sec II, Cir 74, WD, "Complaints", 14 Mar 1946, are modified for application in this theater as follows:

a. In furtherance of the general provisions of Par 4e(1), AR 20-5, appropriate commanders will take the necessary action to provide frequent opportunity for the presentation of complaints, to insure prompt action on each complaint and to notify each complainant of the action taken in his case.

b. In addition to this circular, there will be posted on all unit bulletin boards the official address of the inspector general of the command to which the unit is assigned or attached.

c. In areas where troops of a command are concentrated and accessible to inspectors general, the provisions of Sec. II, Cir 74, WD, 16 Mar 1946, will be complied with as prescribed.

d. In those areas where troops are widely scattered, the following procedure is prescribed:

(1) The complainant will write directly to the inspector general of the command to which he is assigned or attached, citing his grievance.

(2) The inspector general receiving a complaint will forward it, for expeditious investigation and report of action, directly to the commander of the unit next above the unit to which the complainant is assigned or attached.

(3) A commander to whom a complaint has been referred will return his report of investigation to the inspector general concerned through channels.

(4) Each successive commander through whom the report passes will carefully review it and will indicate on it his concurrence or non-concurrence. In the case of a non-concurrence by any commander concerned, such a commander personally will reinvestigate the case completely or will have it reinvestigated by a field officer of his staff. Following this action, he will address his report, together with the initial report, through channels to the inspector general concerned.

(5) The responsible inspector general will carefully review final reports received and comply with the provisions of Par. 2, Sec. II, Cir

74, WD, 14 Mar 1946, as it relates to date of complaint, name of complainant. In addition he will advise the complainant in writing of the action taken in his case.

(6) In cases where the inspector general does not concur in reports of investigations received through the chain of command, he, or a member of his section, will further investigate the complaint in all particulars as required by the above mentioned War Department circular.

2. The commanding generals of appropriate commands will report to this headquarters not later than the 10th of each month, attention: Theater Inspector General, records of complaints received by their inspectors general during the preceding month in form substantially as required by Par 2, Sec II, Cir 74, WD, 14 Mar 1946.

3. All communications and correspondence relating to grievances received under the provisions of this directive will be signed personally by commanders and will in every case be transmitted by courier.

4. When practicable, inspectors general will include the hearing of complaints and grievances in their inspections in the field and will be guided by the provisions of Par 2, Sec II, Cir 74, WD, 14 Mar 1946.

5. In cases where complaints appear to have been submitted in good faith outside of normal military channels, they will be processed as prescribed in Par 1d(2) to (6) above.

(AG 201.23 GAP-AGED)

III—ESTABLISHMENT OF PROPERTY ACCOUNTABILITY. Par 19, Sec III, Cir 3, this headquarters, 4 Jan 1946, as amended by Par 2, Sec II, Cir 34, this headquarters, 16 Mar 1946, is further amended by deleting the following items:

(7) Athletic team equipment (unit sets of baseball, basketball, football and track uniforms).

(11) Stop watches and timers.

(AG 313 GDS-AGED)

IV—SALVAGE AND DISPOSAL OF SCRAP AND WASTE IN US OCCUPIED GERMANY. Par 6h(4) (c), Cir 48, this headquarters, 9 Apr 1946, is amended to read:

(c) *Abandonment to Office of Military Government.* When items of scrap and waste are *not* to be returned to the US and cannot otherwise be disposed of to advantage outside the US occupied zones in Germany, such items will be transferred to the Office of Military Government for the Land concerned who will furnish to the commanding officers of major commands including Air Forces and Navy, upon their request, quantitative receipts to cover transfers of this nature. Quantitative receipts, subsequent handling, and accounting of such items will be on the basis of procedure set forth in subparagraph (b) above.

BY COMMAND OF GENERAL McNARNEY:

H. R. BULL,

*Major General, GSC, Chief of Staff.*

Official:

L. S. OSTRANDER,

L. S. Ostrander,

*Brigadier General, USA, Adjutant General.*

Distribution: F.

ESTABLISHMENT OF REICHSMARK FOREIGN EXCHANGE RATE  
REFERENCE: SWNCC 267/D

STATE-WAR-NAVY COORDINATING COMMITTEE

*Note by the Secretaries*

The enclosure, a report on the above subject by the State-War-Navy Coordinating Subcommittee for Europe, is circulated for consideration by the Committee.

ALEXANDER D. REID,  
B. L. AUSTIN,  
HAROLD W. MOSELEY,  
*Secretariat.*

Enclosure

ESTABLISHMENT OF REICHSMARK FOREIGN EXCHANGE RATE

Report by the State-War-Navy Coordinating Subcommittee for Europe

THE PROBLEM

1. To act on the OMGUS request that an exchange rate between the Reichsmark and the dollar be established for certain types of transactions.

FACTS BEARING ON THE PROBLEM

2. The only dollar-Reichsmark rate now in effect is the military conversion rate of ten Reichsmark per dollar. This rate is applicable to the conversion of pay of U. S. troops into Reichsmark and to such other transactions as have taken place to date.

3. OMGUS has pointed out (in CC23313, contained in SWNCC 267/D):

a. that the absence of an exchange rate or a remittance procedure prevents American firms operating in Germany from purchasing Reichsmarks against dollars. This disability hampers firms which (1) have no pre-war Reichsmark resources and (2) are engaged in operations "not wholly for the benefit of and essential to military operations."

b. that certain firms (presumably engaged in operations wholly for the benefit of and essential to military operations) are now permitted to acquire Reichsmarks through the Army finance facilities, at the troop pay rate of ten Reichsmarks to the dollar. Dollars paid to Army Finance Department for this purpose are not made available to the export dollar account. Furthermore, the remitting firm obtains its Reichsmarks excessively cheaply, to the extent that they are used for purposes other than purchases from the Army, because the internal purchasing power of the Reichsmark exceeds ten cents.

4. OMGUS further points out that the establishment of an exchange rate would:

a. facilitate the pricing in dollars of certain German exports and of German services supplied to foreigners.

b. permit benevolent remittances to Germany.

5. OMGUS therefore suggests that consideration be given to the establishment of an interim Reichsmark-dollar exchange rate for the following closely restricted purposes:

- a. sale of Reichsmarks to individuals and concerns licensed to conduct business in Germany.
- b. benevolent remittances.
- c. to assist in the pricing in dollars of a limited group of German exports.

#### DISCUSSION

6. It is, at this stage, too early to establish a dollar-Reichsmark rate applicable to all types of transactions including merchandise trade. The appropriate rate can be determined only when it is possible to estimate within reasonable limits the relative price levels, and the general outlines of the German balance of international payments, and the relation of these factors to the exchange rate.

7. It is desirable to establish procedures for certain very restricted types of remittances in addition to the limited military remittances now permitted. It is proposed that these new remittances will be limited to small exchanges for businessmen going to Germany for the sole purpose of inspecting their properties and conferring with the M. G. with respect thereto; a limited number of remittances by charitable and religious organizations, and support remittances to American nationals residing in Germany. In the absence of a general dollar-Reichsmark rate, such remittances can take place only if the use of some special rate is authorized for the purpose, such as the troop pay rate of ten Reichsmarks per dollar. It should be clearly understood that this is an interim procedure, to be employed for narrowly circumscribed purposes. OMGUS should be instructed to seek quadripartite approval to use of this rate for these transactions.

8. The U. S. Government, as a matter of general policy, is firmly opposed to the establishment of multiple exchange rates. Adherence to this policy prevents the establishment of a Reichsmark-dollar rate, for limited commercial purposes, different from the troop pay conversion rate. Alteration in the present troop pay conversion rate of ten Reichsmarks per dollar is not considered desirable. OMGUS will be requested, in a separate communication, to submit specific data required if any change in the rate for both troop pay conversion and non-military purposes is to be studied by interested agencies.

9. OMGUS points out that dollars paid to Army Finance Department for remittance purposes are not made available for the purchase of imports to Germany, through the exports proceeds pool or otherwise. Instead, they are added to the War Department's existing special deposit account with the treasury. It is agreed that such sums should be segregated in order to permit such disposition as may later be determined.

10. Under the export procedures now in effect, export transactions can take place without the assistance of exchange rates. The Reichsmark price paid to German exports is divorced from the price at which exports are marketed abroad, the latter being determined by world market prices (see OMGUS instructions, Title 13, Part 3, Foreign Trade and Instructions to the Reichsbank and its offices, No. 4, and to the Land Economic Offices; Financing of Imports and Exports). In

cases where it is difficult to establish prices in foreign exchange for products exported from Germany, OMGUS can obtain the advice of the U. S. Government regarding pricing of such exports.

11. It is realized that it is not administratively feasible to price in foreign exchange individual services and goods purchased by foreigners for consumption in Germany. The establishment of a procedure for licensed remittances from the United States to Germany for American firms and individuals carrying on business operations in Germany will enable such firms and individuals to acquire Reichsmarks at a ten-to-one rate for expenditures on goods and services. It is also necessary to establish channels for purchases of Reichsmarks by foreign nationals engaged in legitimate business in Germany (such as Dutch and Belgians operating barges on the Rhine). Similarly, the present arrangement whereby Currency Section, USFET, advances Allied military marks to foreign missions, against ultimate repayment in dollars, should be altered. Appropriate procedures should be established along the following lines:

a. Foreign missions, firms, or individuals engaged in legitimate and authorized activities in the US zone should be permitted to purchase Reichsmarks against payment in dollars or other currencies acceptable to the Control Council, at the ten-to-one rate in the case of dollars, or at the appropriate cross-rates in the case of other currencies.

b. Foreign currencies should be accepted for this purpose in accordance with any arrangements made with foreign countries along the lines proposed in War Department cable 99547 of March 5 to OMGUS. According to this proposal, countries importing from Germany would be permitted to pay in indigenous currencies, which would be utilized for the purchase of necessary imports into Germany, on condition that any balance remaining after some specified period should be converted into dollars.

c. Procedures should be so devised that it will not be necessary for foreigners to bring foreign currencies physically into Germany in order to acquire Reichsmarks.

d. Both dollars and foreign currencies received from foreign countries through sale of Reichsmarks in accordance with subparagraphs 11a and 11b above should be disposed of in the same manner as currencies received in payment for German export, except insofar as the Reichsmarks thus acquired are spent for purchases from the U. S. Army. Foreign currencies so received should be immediately available to purchase imports into Germany. A procedure for receiving foreign currencies in payment for exports was proposed in War 99547 of March 5 to OMGUS; foreign currencies received in accordance with subparagraphs 11a and 11b above should be disposed of in the same manner as export proceeds.

#### RECOMMENDATION

12. It is recommended that:

a. SWNCC approve the conclusions as set forth in the draft cable in the Appendix.

b. After approval by SWNCC the Joint Chiefs of Staff be requested to dispatch the cable in the Appendix to OMGUS.

## APPENDIX

## DRAFT CABLE

To: OMGUS.

From: War.

1. URAD CC 23318 proposing establishment interim Reichsmark-dollar exchange rate for limited commercial use. Believed still premature to establish general Reichsmark-dollar rate. U. S. policy firmly opposed to establishment of multiple exchange rates. Government therefore opposed to commercial rate differing from troop pay rate. Change in troop pay rate at this time considered undesirable. Separate cable will request specific data required for study of any possible change in rate for both troop pay and nonmilitary purposes.

2. It is desirable to establish procedures for certain very restricted types of remittances in addition to the limited military remittances now permitted. It is proposed that these new remittances will be limited to small exchanges for businessmen going to Germany for the sole purpose of inspecting their properties and conferring with the M. G. with respect thereto; a limited number of remittances by charitable and religious organizations and support remittances to American nationals residing in Germany. It is not considered feasible to permit personal support remittances at this time other than to American nationals. In the absence of a general dollar-Reichsmark rate, such remittances can take place only if the use of some special rate is authorized for the purpose, such as the troop pay rate of ten Reichsmarks per dollar. It should be clearly understood that this is an interim procedure, to be employed for narrowly circumscribed purposes. You should seek Control Council agreement to use of this rate for these transactions. In the event you are unable to obtain such agreement, you will inform the Joint Chiefs of Staff who will provide further direction. Dollars received for this purpose will be segregated subject to disposition to be determined later.

3. Foreigners requiring Reichsmarks for approved purposes such as expenditures on German goods and services for consumption in Germany by foreign missions and Dutch and Belgian operators of Rhine barges should be afforded facilities for purchasing Reichsmarks against dollars or other acceptable currencies to following conditions:

a. Purchases to be made at ten-to-one rate in case of dollars or appropriate cross rate for other currencies.

b. Foreign currencies to be accepted in accordance with any agreements that may be made along lines proposed in WAR 99547 to OMGUS.

c. Foreigners desiring purchase Reichsmarks for approved purposes should not be required physically to bring foreign currencies into Germany in order to acquire Reichsmarks.

d. Dollars and foreign currencies acquired from foreign countries as provided in this paragraph should be disposed of in same manner as proceeds of German exports, except to extent Reichsmarks spent for purchases from U. S. Army. Proposals to distinguish Reichsmarks spent for purchases from Army and those spent for other purposes will be made in separate cable. Currencies other than dollars should be immediately available to OMGUS for purchase of approved imports into Germany, and should be handled in same manner as foreign currencies received in payment for exports as proposed in WAR 99547 March 5.

SUPPLYING REICHSMARKS TO AMERICAN OVERSEAS AIRLINES, INC.

Civil Affairs Div Opns Div  
WDGS OPD 311.23 CAD (22 May  
46) 73766 Capt Hartley

20 May 1946.

OMGUS, Berlin, Germany.

Number: WAR 88096.

Reurad May CC 4610 signed WARCAD.

Supplying reichsmarks to American Overseas Airlines, Inc., operating in Germany. Arrangements should be made for American Overseas Airlines, Inc., to obtain marks, fr US Fin Off against pay-

ment in dollars at mil rate conversion. No reconversion of marks into dollars will be permitted.

End

Originator: CAD.

Distribution: OPD; Bud Div, Mr. Petersen.

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ARTICLE IN STARS AND STRIPES

22 MAY 1946.

From: HQ USFET Frankfurt, Germany, signed McNarney cite ETGAP.

To: War Department for BUDDIV.

Nr: S 4343.

The following appeared in the 21 May 1946 issue of Stars and Stripes, European edition:

"British vouchers to replace marks in black market fight. Hereford, May 20. (AP). The British authorities greatest attempt to kill the black market in German currency will come into force August 1, in the form of vouchers to be issued to British Military personnel in lieu of German marks. The troops thus will have a currency entirely different from that of the German population, and will no longer be able to pay for NAAFI and gift shop purchases with marks."

Reference proposed War Department Circular subject: "Foreign currency exchange control in certain areas outside the continental limits of the United States," we are preparing advance plans for its introduction in the theater under procedure similar to recent C day operation in France. Estimated that certain categories of attached personnel such as foreign liaison officers and UNRRA employees, will require 30 to 60 days to secure military currency. Are currently considering two procedures regarding such personnel:

1. is to advise them immediately of necessity being able to purchase United States military currency on and after 1 August 1946, which would destroy the essential secrecy of proposed new system prior to C day, and the other is to make no announcement until C day with stipulation that these people would be allowed a specified time in which to make arrangements for purchasing military currency, during which period they would be authorized to use indigenous money. Apparently that second solution, while preserving secrecy, has many administrative disadvantages. Information requested as to whether War Department plans in near future to make press release similar to that of British, in which event we could concurrently inform this special type personnel to make necessary arrangement. Status of circular noted above to include foregoing information requested soonest.

End

Action: Budget Division.

Info: ASF.

## CURRENCY CONTROL

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
OFFICE OF THE AC OF S, G-1,  
22 MAY 1946.

To: The Acting Chief of Staff.

## I. DISCUSSION

1. At TAB "A" is draft of proposed War Department circular on world-wide currency control evolved as a result of a recent conference on the subject held at the War Department and attended by representatives of all theaters. While it has not yet cleared the War Department, the prospect of its publication in substantially its present form, to be effective 15 August 1946, is sufficiently probable to warrant the advance preparations herein recommended. Such contemplated preparations are designed to insure that:

a. The confidential nature of the War Department directive prior to its implementation, which security is necessary for maximum effectiveness, will be preserved.

b. When the War Department system of currency control goes into effect, the change-over can be accomplished with the minimum amount of administrative confusion; and

c. In the event the War Department directive, for some reason does not go into effect on 15 August 1946 as planned, the Theater Commander will have taken the maximum measures available to him for theater-wide currency control.

2. The fundamental features of the War Department's proposed system are military dollar instrument, which will be the only acceptable medium for all transactions in all Army facilities, and no reconversion of foreign currencies. It is contemplated that this system, if adopted, will be placed into effect in a single-day procedure similar to the recent "C-Day" operation used in the revaluation of the French franc. If military personnel and War Department employees only were concerned, such "C-Day" procedure would merely involve the exchanging of local currency in the possession of the individual for the new military currency in an amount not to exceed the balance in his currency exchange control book. However, since a number of personnel not paid from US Army appropriated funds, such as UNRRA, ARC, foreign liaison personnel, etc., are currently authorized to purchase from our messes, exchanges, commissaries, and clothing stores, steps must be taken to preclude the possibility on "C-Day" of such personnel being denied those privileges due to their inability to secure military currency. In order to achieve this and to attain the objectives enumerated in sub-paragraphs 1a, b, and c above, it is believed necessary, in effect, to bring all users of our facilities into the same category as military personnel and War Department employees with respect to certainty of dollar-backed entries in currency control books. The vehicle calculated to accomplish the foregoing is a revision of Circular 50, this headquarters, 15 April 1946 (copy of Cir 50 is at TAB "B"), which revision (TAB "C") prescribes that the new Currency Control Records will be issued to all personnel paid from US Army appropriated funds on 15 June 1946, and to all others on or

before 1 August 1946 only upon satisfactory evidence that all credit entries will be dollar-backed. Such revision further provides that subsequent to date of issuance and/or on and after 1 August 1946, no purchases may be made in any of our facilities without presentation of the Currency Control Record.

3. The foregoing was agreed to in substance by representatives of G-4 and G-5 and by the Budget and Fiscal Directors, in conference on 18 May 1946; the Fiscal Director concurred in detail on 21 May 1946.

## II. ACTION RECOMMENDED

4. That circular at TAB "C" be approved for publication.

W. H. BARNES,  
*Colonel, GSC,*  
*Acting A C of S, G-1.*

Approved by Acting C/S 28/5/46.  
Dispatched to G-1, 1900 28/5/46.

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## ENCASHMENT OF MILITARY PAYMENT ORDERS FOR PRISONERS OF WAR

24 MAY 1946.

From: OMGUS Berlin, Germany, sgd Clay.

To: War Department for WARTAG.

Info: USFET, Frankfurt, Germany.

Nr: CC 5650.

Your letter 25th April re encashment military payment orders issued to German prisoners of war.

1. While appreciating your desire to cash as soon as possible military payment orders and certificates of credit issued to German prisoners of war, we strongly urge that redemption to be made at troop pay rate. Besides fact that redemption at this rate would give ex-prisoners of war unnecessary and undue purchasing power for purchasing rationed goods, proposed action involves danger to the whole fiscal position in Germany for the following reasons:

A. Maintenance of present legal prices and present legal wage scales in Germany, in face of existing inflationary factors, is one of the major problems which faces Military Government in Germany.

B. Present legal prices and present legal wage scales in Germany reflect a value for the reichsmark closer to 40 cents than to 10 cents.

C. Proposed action constitutes the purchase from Germans of a large amount of United States dollars at a reichsmark rate of 10 cents.

D. Such action definitely extends the use of the 10-cent rate beyond the purposes for which it was instituted, and therefore suggests that the use of the 10 cent rate may be further extended to become an interim rate for other transactions.

E. Such a suggestion of the establishment of the 10-cent rate for purposes other than purely military transactions can be interpreted as notice that we do not expect to be able to maintain the present German legal price and wage structure on anywhere near its present basis.

2. Our position, as set forth in ourad February CC-23588 and ourad May CC-4481, is: that an interim rate for certain specified purposes should be established; that this rate should apply also to the encashment of prisoners of war payment orders; and that this rate should be in keeping with price and wage levels in Germany.

3. We consider that the reasons set forth above are sufficiently weighty to justify our previously expressed view that the 10-cent rate ought not to be used for other purposes for which it was created.

4. We believe that the other occupying powers would strongly object to Unilateral action of the nature proposed.

5. We appreciate your reluctance to authorize different rates for different purposes, but we urge that encashment of prisoners of war payment orders be held up until it can be made at such interim rate as is established.

6. If this involves delay, we do not feel such delay unjustifiable from an economic point of view for the following reasons:

A. The payment of this large amount of reichsmarks to ex-prisoners of war at this time would add to inflationary threat here and would, moreover, act as a deterrent to present efforts to have these ex-prisoners of war enter into such gainful employment as would contribute to development of the economy here along lines approved.

B. Present non-redemption puts ex-prisoners of war in the same position as all other German residents, including Foreign Nationals resident in Germany, who have surrendered foreign exchange assets under Law 53, while present redemption of payment orders and certificates of credit for ex-prisoners of war would constitute definite discriminatory action in their favor.

7. If, for political reasons, you believe necessary that payment be made at this time at the 10-cent rate, we ask your concurrence in.

A. The presentation of problems for Quadripartite action, especially since prisoners of war are not now confined to the United States Zone, and,

B. A simultaneous announcement that this rate is employed solely in the interest of expediency and does not necessarily constitute an indication of a future rate for the reichsmark.

End

Action: CAD.

Info: JC/S; Admiral Leahy; CG AAF; ASF; OPD; RPR; Admiral Nimitz; Mr. Petersen; Budget Division; C. of S.

#### ENCASHMENT OF MILITARY PAYMENT ORDERS FOR PRISONERS OF WAR

Civil Affairs Division  
311.23 CAD 73766 Mr. Hough.  
5 JULY 1946.

OMGUS, Berlin, Germany.

Information:

CG USFET, Frankfurt, Germany.

Number: WARX 93572.

Reurad May CC 5650 June S 5224 June S 5852 June S 6635 from WDSKA.

Sub is rate for encashment of mil payment orders and certificates of credit issued to ex-prisoners of war. This auth supersedes any

previously published auth. Reurad CC 5650 May fr OMGUS you are advised credit instruments mentioned above should be settled in accordance with provisions of Article 23 Geneva Convention of 29. Provisions of this article should apply to pay of offs and EM. Since there was no agreement made at commencement of hostilities, you are informed rate exchange for Reichsmark at time hostilities commenced was 39 and 9/700ths cents, or about 2 and 1/2 Reichsmarks for \$1.00, US. It is equitable same procedure be applied for encashment rate of other foreign currencies. Austrian schilling value was pegged by Germany after Anschluss at 2/3ds that of RM or 26 and 6500th cents. Italian lira was 5 & 2600th cents, or about 19 for \$1.00 US and Japanese yen was 23 and 4400th cents. Above info also answers cables June S 5224, June S 5852, and June S 6635 fr USFET. This auth cannot be construed as establishing or sanctioning multiple rates.

2. Accounting instructions to implement sub encashment prepared by Off Chief of Finance as follows:

A. All mil payment orders and certificates of credit issued to former POW's will be cashed by mil govt off who will be aptd as class B agent of nearest disbursing off. Activity of class B agent will be ltd to cashing of mil payment orders or certificates of credit presented by repatriated POW's.

B. For every such credit instrument, payable in foreign currency, class B agent will withhold foreign currency representing differential between mil rate of exchange and rate set forth above. For example, class B agent has been funded by his principal for 1000 RM representing an entrustment to value of \$100. Mil payment order of \$100 is presented for payment. The class B agent will pay out 250 marks and withhold 750 marks. Funds withheld will be forwarded by class B agent to designated currency section to be reflected on their records as charge to "cash on hand" and credit to special account "POW encashment differential." This credit should not reduce acct "advances to Armed Forces."

C. Whenever class B agents makes "turn in" to his principal of payment orders cashed, disbursing off will receive mil payment order stated in US dollars and require class B agent to furnish signed statement that withheld funds will be forwarded to currency section. Disbursing off will immediately fwd statement to appropriate currency sect in order to establish an acct with class B agent and thereby insure that currency representing difference between approved rate and special rate is turned into currency sect.

D. Currency sections should be warned turn in of withheld funds does not constitute reduction of disbursing off accountability and it is not necessary to make cable reports of turned in withheld funds of this category, as troop pay acct in Treasury will not be subject to book-keeping adjustment.

3. Similar cables being sent to all commands where POW encashments involved.

End

Originator: CAD.

Distribution: D/PA, D/PO, CAD (State & Treas.), SERVAT-Fin-PMG, Mr. Petersen, BD.

## ENCASHMENT OF MILITARY PAYMENT ORDERS FOR PRISONERS OF WAR

15 JULY 1946.

From: OMGUS Berlin Sgd Clay.  
To: War Department for WDSCA.  
Info: USFET, Frankfurt, Germany.  
Nr: CC 8989.

Reurad July WX 93572.

Subject is encashment of military payment orders and certificates of credit issued to ex-prisoners of war.

1. Necessary action being taken this Headquarters to implement your instructions. You will be advised when payment can be made.  
Action: CAD.

Info: D/PA, D/PO, CAD (State & Treas), Mr. Petersen, SERVAT, BD.

## RATE OF EXCHANGE ENCASHMENT FOR PRISONERS OF WAR

19 NOVEMBER 1946.

From: CG USFET, Frankfurt, Germany, sgd McNarney, cite ETGAP OMGUS, Berlin, Germany, sgd Keating.  
To: War Department.  
Info: OMGUS, Berlin, Germany.  
Nr: SX 6222.

In reply to our WX 85000, 7 November. Rate of exchange for encashment of German Prisoner of War Pay instruments is subject.

Your position on encashment rate as stated in WX 93572, 5 July is appreciated. Must however present the following for your further consideration:

A. As you state article 23 is the only convention article on the subject of conversion. However it applies only to officer pay. Since the bulk of payments are for labor credits, believe article 34 should be considered. Article 34 states that prisoners shall be paid, in the absence of agreements, "according to a tariff corresponding to work executed." Civilian laborers here receive approximately reichsmark 6 per day. A dual rate seems to be indicated. However that is undesirable, and it is the view here that article 23 does not preclude payment of a more favorable rate.

B. British have already begun to make payments against sterling amounts at rate of 15 marks equals one pound, which is equivalent to 27 cents per mark.

C. Undesirability of such a wide divergency as payments at 41 cents by US at 27 by British will be recognized by you.

D. Payment at a pre war rate can probably not be followed as a policy outside of Germany and Austria, because of political implications. Certificates of credit have been issued to approximately 35 different nationalities, and are presently held in many other countries principally France, Belgium, Holland, the Balkans, and Scandinavia.

E. We recommend use of 30 cent rate as:

1. Sufficiently close to British practice to avoid unfavorable effect on German attitude toward US.

2. Logical if we are to have 30 cents as an interim rate.

3. Most equitable rate based on the same considerations as have caused us to recommend 30 cents as an interim rate.

We appreciate your realization of the urgency of this matter, but feel we must present the above considerations for your attention. This is a joint reply from OMGUS and USFET.

End

Action: CAD.

Info: Bud.

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ENCASHMENT MILITARY PAYMENT ORDERS FOR GERMAN PRISONERS  
OF WAR

Civil Affairs Division,  
311.23 CAD Mr. Hough 72014.  
20 NOVEMBER 1946.

CG USFET, Frankfurt, Germany.

CG USFA, Vienna, Austria.

Information: OMGUS, Berlin, Germany; CG MED, Caserta, Italy.  
Nr: WARX 85905.

From WDCSA, signed Eisenhower, for McNarney and Clark.

Encashment mil pmt orders for POWs and surrendered enemy pers, and settlement certificates of credit for similar pers is subj.

WD concerned over fact that encashments mil pmt certificates and settlement of certificates of credit for POWs or surrendered enemy pers has been stalemated for an unusually long period. Repercussions from diplomatic sources have reached State, Treasury Depts, and in turn WD. Gen Lee in MTO concerned over lowering of morale and unrest arising from inability of repatriated surrendered enemy pers to convert their earnings into negotiable currency of homeland. WD itself anxious to clear trust fund acct 21 X 8915 of its accruals to POWs and seps.

Problem of setting equitable exchange rate, in case of mark and schilling, is appreciated. Believed, however, that Nov WAR 84546 to COMGENUSFA which auth rate of 10 schillings per dollar as rate of encashment for outpayment in schillings and Nov WARX 85000 to OMGUS and USFET, which reiterated auth of 2½ marks per dollar as rate of encashment for outpayment in marks, finalized rate discussions.

It is desired that settlement of US obligation to released POWs and repatriated seps be effected without further delay in accordance with standing instructions WD memo 190-45 dtd 25 Sept 45 and above-cited cables. In every instance the local currency (mil marks or reichsmarks in Germany and schillings in Austria) will be only medium concerned in these transactions. This replies to Nov USFA radio P 5953.

Appropriate pub announcement in all affected zones should be made and limiting dates set to assure clean up this problem in ensuing few months.

End

Originator: CAD.

Distribution: ASW, P&A, P&O, BUD, PMG, FIN.

## PRISONER OF WAR PAYMENTS

30 NOVEMBER 1946.

From: HQ USFET, Frankfurt, Germany, sgd. McNarney, cite  
ETGAP.  
To: War Department.  
Nr: S 6598.

Subject is Prisoner of War Payments.

Request reconsideration of decision to pay at prewar rate of reichsmark one equals 39.97 as directed by your W $\frac{1}{2}$  85905 dated 21 November, for the reasons stated in our SX 6222 dated 19 November, which included strong views of OMGUS.

OMGUS feels most strongly that the difference between British and United States exchange rates will set off unfavorable reaction to United States.

We also feel justification difficult for any rate other than one based on current conditions. We are prepared to discuss this on a teleconference should you care to schedule one.

Action: CAD.

Info: ASW, P&A, P&O, BUD, PMG, FIN.

## PAYMENT OF PRISONERS OF WAR

Civil Affairs Division.

311.23 CAD, Mr. Hough, 72014.  
18 December 1946.

COMGENUSFET, Frankfurt, Germany.

Information: OMGUS, Berlin, Germany; COMGENUSFA, Vienna, Austria; COMGENMED, Caserta, Italy.

Number: WARX 88023.

From WDSCA ES. Reurads Nov. 6222, 6368 and Dec. 6908.

Conversion rate for use in encashment of MPOS and certificates of credit held by repatriated POW's is subj.

In view of facts set forth in rads re above and conversations with State and Treasury, an encashment rate of .30 equals 1 mark or 3 $\frac{1}{2}$  marks equals 1 dollar is auth and supersedes previously auth rate of 2 $\frac{1}{2}$  RM equals 1 dollar. Accounting instructions set forth in para 2, July WARX 93572, still apply in guide for procedure for accounting and handling marks representing difference between encashment rate and mil rate.

End

Originator: CAD.

Distribution: ASW; CAD (State, Treasury); P&O; BUD; PMG;  
FIN.

## ENCASHMENT OF MILITARY PAYMENT

Civil Affairs Division.  
311.23 CAD, Mr. Hough, 72014.  
13 December 1946.

COMGENUSFET, Frankfurt, Germany.  
Information: OMGUS, Berlin, Germany; COMGENUSFA, Vienna,  
Austria; COMGENMED, Caserta, Italy.  
Number: WARX 88023.  
From WDSCA ES. Reurads Nov. 6222, 6368 and Dec. 6908.

Conversion rate for use in encashment of MPOS and certificates of credit held by repatriated POW's is subj.

In view of facts set forth in rads re above and conversations with State and Treasury, an encashment rate of .30 equals 1 mark or  $3\frac{1}{3}$  marks equals 1 dollar in auth and supersedes previously auth rate of  $2\frac{1}{2}$  RM equals 1 dollar. Accounting instructions set forth in para 2, July WARX 93572, still apply in guide for procedure for accounting and handling marks representing difference between encashment rate and mil rate.

End

Originator: CAD.  
Distribution: ASW; CAD (State, Treasury); P&O; BUD; PMG;  
FIN.

## VIOLATION CURRENCY EXCHANGE CONTROL REGULATIONS

Army Postal Service, AGO  
74122/ia/1E965 Capt C L  
Bennett

27 MAY 1946.

CG, USFET, Frankfurt, Germany.  
CG, USFMTO, Caserta, Italy.  
CINCAFPAC, Tokyo, Japan.  
Number: WARX. 89461.  
Cite AGAΛOP WARTAG.

*Here information indicates violation or circumvention of currency exchange control regulations through the use of Army Postal Service financial facilities in the theaters have assumed serious proportions. Immediate and comprehensive corrective action appears necessary to stamp out widespread use of Army postal channels in illicit exchange and transmission of funds. The following 6 actions are suggested for your consideration, implementation, or comment:*

1. Take necessary steps to obtain strict and absolute adherence to theater currency exchange control regulations by all Army Postal Service personnel. Prompt dissemination of applicable regulations will be effected to insure that all concerned are familiar with and thoroughly understand existing controls.

2. Issue necessary directive to restrict the purchase of postage stamps and/or stamped paper not to exceed \$1.00 or equivalent at any one time, except when matter actually presented for mailing requires postage in excess of that amount for transmission. In such cases, postage stamps will be affixed to the mail matter in the presence of the accepting employee when presented for mailing. Under no circumstances will more than \$1.00 or equivalent in postage stamps or stamped paper be sold to purchasers for alleged future use.

3. Direct Army Postal personnel to require from individuals presenting applications for postal money orders totaling \$50.00 or more same positive identification as is necessary in cashing of money orders. Stipulated amount may be set at more or less than sum indicated, however, some such action necessary to eliminate widespread use of fictitious names as remitters of money orders.

4. Require all postal officers supervising money order facilities to submit daily report showing name and address of remitter and payee as well as amount of all money order transactions totaling \$100.00 or more by any one remitter. This report will be submitted daily to the theater postal officer, who, in turn, will submit a weekly compilation to the office responsible for currency exchange control in the theater. These reports will be classified as confidential.

5. Instruct all Army postal officers and Army mail clerks to be on the alert to detect any and all attempts to use Army postal financial facilities in violation of currency exchange control, and require prompt report of all violations or attempts to the theater postal officer.

6. Take drastic disciplinary action in case of Army postal personnel handling postal financial transactions in contravention of controls placed in effect.

Request report of any action taken.

End

Originator: TAG.

Distribution: OPD; Bud Div.

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#### ACTION ON PURCHASES AUTHORIZED

3 JUNE 1946.

From: CG USFET Frankfurt, Germany, sgd. McNarney cite ETAGM, 23 Com.

To: War Department.

Nr: S5035.

Comments on each suggested action follows.

Reurad WX89461, 28 May 1946 AGAAOP. 1 Jan., P. 2.

1. Now in effect.

2. Concur in principle with possible modification of amount for individual purchases and provision for bulk purchases by unit mail clerks.

3. Concur.

4. Volume of transactions will require large administrative set-up to furnish required information. Preliminary studies indicate em-

phasis on check of currency control books. Study of this action incomplete.

5. In effect.

6. Concur, plan issue theater and postal circulars directing action indicated in comments above.

Final action and report prior to 8 June, with inspections to insure compliance.

End

Action: TAG.

Info: OPD, CAD, Budget Division.

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WAR DEPARTMENT CIRCULAR ON CURRENCY CONTROL

27 MAY 1946.

WDSS Bud. Div. Foreign Financial  
Br. WDSBU 123 Cur. (7 Sep. 45)  
2250, 2806, Col. Pforzheimer

CG, USFET Frankfurt, Germany.

Number: WAR 89467.

COMGENUSFET signed WARBUD reurad S. 4343.

Nothing further to report at this time concerning a proposed War Department circular on foreign currency exchange control.

Reference relations with British military personnel and with British zone.

A. In United States Zone you may wish to arrange for British personnel to acquire such medium as is used for expenditure in US military establishments by the surrender of British canteen money at approved sterling/dollar cross rate. Such canteen money as you take in should be redeemed by British paymasters in dollars.

B. US military personnel entering British zone and requiring British canteen money should acquire same pursuant to regulations mutually satisfactory to you and to British zone commander. Canteen money returned by American military personnel should be redeemed with care and only after you have ascertained that it is in turn to be redeemed by British authorities in dollars. In the event that you wish to acquire a supply of British canteen money in advance, for issuance by you to US military personnel ordered into British zone, you are authorized to acquire same through payment to appropriate British authorities in sterling.

C. British Staff Mission here so advised.

End

Originator: Bud. Div.

Distribution: ASF-Fin, OPD, G-1, G-2, CAD.

## NEW CURRENCY EXCHANGE BOOK

31 MAY 1946.

From: PRD USFET Frankfurt, Germany, from SPROWL.

To: War Department for Parks.

Nr: PRD 1040.

USFET Release No. 1719. To be released at 1800 hrs., 31 May.

New currency control book to go into effect June 20.

A new currency exchange control book will go into effect in the Theater on June 20, 1946, for all personnel paid from U. S. Army or Navy appropriated funds, it was announced today by G-1 USFET. The new book, named the Currency Control Record to distinguish it from its predecessor, is an improvement upon the system now in effect in that each record is serially numbered and a register is kept of all records issued. It will be carried at all times by the individual to whom it is issued.

Purchases in Army facilities in excess of \$5.00 will be deducted from the credit balance in the record.

Personnel authorized to purchase from U. S. Army Exchanges, commissaries, and clothing stores, but who are not paid from U. S. Army or Navy appropriated funds, such as ARC, UNRRA, FLC, and Foreign Liaison personnel, employees of other U. S. governmental agencies, correspondents, businessmen, etc., must have the new currency control record in their possession on or before August 1, 1946, in order to make purchases after that date. However, such personnel will not be issued the new currency control record until and unless it is assured that all credit entries therein, including the initial entry, will be dollar-backed. These individuals and organizations must, therefore, make arrangements to furnish dollar instruments as a basis for all credit entries in the records to be issued them. Purchases may be made without the currency book until the new records are issued, but in no case after August 1, 1946.

The new directive rescinds the provision in USFET Circular 57 of April 27, 1946, requiring direct payment in dollar instruments for government supplies, services, or facilities, by certain of the personnel listed who are not paid from U. S. Army or Navy appropriated funds.

Currency control records will not be issued to dependents. When purchases are made by dependents from exchanges, commissaries, and clothing stores, the currency control book of the person on whom the purchaser is dependent will be presented.

Sales agencies will require on frequent, unannounced dates, the presentation at time of purchase, of the currency control record, even though deduction is unnecessary because the amount of purchase is less than \$5.00.

When an individual has received his final exchange of currency or his final payment upon departure from the Theater on permanent change of station or separation from the service within the Theater, his currency control record will be taken up and destroyed except for the cover, by the officer making such exchange or final payment.

Action: BPR.

Info: CG, AAF, ASF, OPD, Bud Div, D/I.

## SPECIAL DEPOSIT ACCOUNT FOR EXCESS AMM

3 JUNE 1946

From: CG USFET Frankfurt sgd McNarney cite SOFDD  
To: War Department for SERVETIS  
Info: Finance Officer Central Disbursing Officer Continent APO 887  
Paris OMGUS; Foreign Exchange Depositary  
Nr: S 5060

Arrangements have been worked out with Office of Military Government, currency section for Germany for deposit in a special deposit account of allied military marks excess to theater needs. Deposits and withdrawals would not be accounted for as returns or advances and arrangement will enable the advance account to be balanced.

Deposits and withdrawals would not be reported to you by cable as is the case with advances and returns. Balance of the account would be carried on reverse of account current of central disbursing officer as a limited depositary account and monthly statements would be rendered by the currency section. Checks would not be drawn against the account. Arrangement considered highly advantageous to OMGUS and disbursing officers. Approval is requested earliest possible date.

End

Action: ASF  
Info: OPD, CAD, Bud Div

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## IMPLEMENTATION NEW CURRENCY EXCHANGE CONTROL

5 JUNE 1946.

War Department Special Staff  
Budget Div WDSS WDSBU 123 Cur  
(13 Mar 46) Col Pforzheimer,  
Jr. 28001

CG USFET Frankfurt, Germany

Number: WAR 90385

COMGENUSFET Main signed Warbud

Relative USFET release number 1719 urad PRD 1040 request air mail dispatch Chief of Finance, Washington soonest 25 copies USFET circular implementing new currency exchange control record. To provide adequate controls Zone of Interior the following information requested earliest:

A. Date on which completion of distribution of new record is to be complete. This cut off date after which old control books will no longer be acceptable is necessary to guard against unwarranted conversions by Finance Officers outside your theater.

B. Does record destruction last paragraph your cable include first page which contains pertinent data as to name, serial number, etc?

C. Is there an interim procedure until 1st August for UNRRA, business and other personnel not paid from United States Army or Navy appropriated funds?

End

Originator: Bud Div  
Distribution: ASF-Fisc, OPD, G-1, CAD

## NEW CURRENCY CONTROL RECORDS

8 JUNE 1946

From: CG USFET Frankfurt Germany from G-1 sgd McNarney cite  
ETGAP

To: War Department for WARBUD

Nr: SC 27900

Subject is Circular 82 this headquarters 3 June (effective 20 June) and your cable W-90385 date 6 June 1946. 6 copies subject circular were dispatched to The Adjutant General for attention respectively of Budget Officer for War Department and Chief of Finance by air courier 3 June 1946 (letter this headquarters file AG 123.7 GAP-AGO subject "Currency Control" 3 June 1946). Pursuant your request 25 additional copies being dispatched this date by air courier to the Chief of Finance (letter this headquarters file AG 123.7 AGO, same subject, 7 June 1946).

2. Your specific questions are considered in order: A: The new currency control records were distributed down to issuing headquarters at time of publication of Circular 50 this headquarters 15 April 1946, which circular now superseded by Circular 82. Latter directive provides new books will be issued on 20 June 1946 to all personnel paid from United States Army or Navy appropriated funds. Most individuals such category will therefore have new currency control record on or about that date. Recommend "cit off date" for your purposes of 1 July 1946. B: Record destruction does not include cover containing pertinent data as to name, record serial number and so forth. Cover will be mailed to this headquarters for cancellation from list of outstanding records. C: Paragraph 13 Circular 82 provides that personnel not paid from Army or Navy appropriated funds who are authorized to purchase from Army facilities will not be issued the new currency control record until it is assured that all credit entries will be dollar backed and provides further that all such personnel in order to continue to purchase from such facilities on and after 1 August 1946 must have in their possession the new record on or before that date. They will be permitted to make purchases in our facilities without records until issued the currency control record or until 1 August 1946 whichever is first; subsequent to such issuance and on or on and after 1 August 1946, the currency control record must be presented for appropriate deduction or examination where required. The Theater Fiscal Director has been designated as the determining authority with respect to dollar backing.

End.

Action: Bud Div

Info: ASF, OPD, G-2.

## OBJECTIONS OF PRESS TO CURRENCY REGULATIONS

5 JUNE 1946.

From: HQ USFET Frankfurt, Germany, Public Relations Division,  
from Eyster, sgd. McNarney, cite ETOPR.

To: War Department for WARCOS for Parks.

Nr: SC 27554.

Reference your WX 86897. In application of pay-as-you-go plan (USFET Circular 57, 46) press representatives have objected to cer-

tain provisions. Objections purely theater level are being worked out here, however Stateside queries may be expected on implementation of treasury license such as and similar to NY 770624-T, dated 15 May 46, issued to United Press. For your information, basic policy behind implementation here of financial provisions of such license is:

no goods and services obtained from War Department appropriated funds will be available to anyone, Press or United States businessmen, except for dollar backer instruments, i. e., neither occupation marks or reichsmarks obtained by commercial concerns indigenously will be accepted for Army goods or services, this including Army requisitioned billets or any other requisitioned facility, rations, transportation, and Army communications.

Request you keep us advised soonest any developments Stateside regarding this matter.

End

Action: BPR.

Info.: OPD: CAD (State, Treasury): Bud. Div.: Mr. Petersen:

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#### ISSUANCE OF CURRENCY CONTROL RECORDS

7 JUNE 1946.

COMGENUSFET, Frankfurt, Germany.

Number: War 90602.

COMGENUSFET Main signed WARBUD.

Possibility issuance currency control records at United States Ports of Embarkation to personnel enroute to European Theater presently under consideration. War Department will effect distribution records at ports of water and/or air embarkation subject your views and desires. In event you are interested this measure in your over-all currency exchange control plan as revised effective 20 June 1946, request you forward comments to War Department.

End

Originator: Bud. Div.

Distribution: ASF; OPD.

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#### SERIALIZATION OF CURRENCY CONTROL RECORDS

From: USFET G-1

To: AGWAR FOR WARBUD

BT

SC-28174

UNCLASSIFIED REFERENCE YOUR WILLIAM NINE ZERO SIX ZERO TWO DATED SEVEN JUNE ONE NINE FOUR SIX CMA DO NOT AT THIS TIME CONSIDER SUCH PROPOSAL ADVISABLE IN VIEW OF SERIALATION FEATURE OF CURRENCY CONTROL RECORDS TO BE INSTITUTED TWENTY JUNE ONE NINE FOUR SIX PD FEEL MAXIMUM CONTROL REQUIRES LIMITATION OF ISSUING AGENCIES TO GENERALLY STATIC ORGANIZATIONS WITHIN THEATER ATTENTION INVITED TO

PARAGRAPHS THREE CMA FOUR CMA SEVEN AND NINE  
CMA CIRCULAR EIGHT TWO HEADQUARTERS USFET  
THREE JUNE ONE NINE FOUR SIX CMA SIX COPIES OF  
WHICH WERE DISPATCHED TO WAR DEPARTMENT BY  
AIR COURIER THREE JUNE NINE FOUR SIX WITH COVER-  
ING LETTER THIS HEADQUARTERS SAME DATE FILE  
ABLE GEORGE ONE TWO THREE DECIMAL SEVEN  
GEORGE ABLE PETER DASH ABLE GEORGE OBOE SUB-  
JECT QUOTE CURRENCY CONTROL UNQUOTE PD PAREN  
SIGNED McNARNEY CITE ETGAP UNPAREN PD  
BT 110930B

### PRINTING OF GERMAN CURRENCY

OMGUS Berlin Germany

Information:

13 JUNE 1946

COMGENUSFET Frankfurt Germany CAD 311.23 CAD Capt.

Number: WARX 91192

Archer 72014

Reurad Apr CC 3153 signed WDSKA.

Representatives State and Treasury discussed printing new German currency issue as requested in urad CC 3153 Apr. Treasury supplied fol info:

#### 1. Timing.

A. Lithographed notes require about 2-3 weeks to prepare and approve designs, 4-5 weeks to prepare plates, 12 weeks to print; total 18-20 weeks.

B. Engraved notes require 8-12 mos to design and plate and well over 3 mos to print.

C. To these periods must be added time required for shipment and internal distrib in Germany. Long period required for engraved notes appears to eliminate them from consideration. Lithographed notes at conversion, gradually replacing with engraved notes as latter become available.

2. Cost of lithographed note issue for France was \$5,000,000. Size issue not known.

#### 3. Possibility of printing in US.

A. Treasury exceedingly reluctant to undertake work on new German currency issue unless request comes from very high source and is founded on important US policy considerations. Bureau Engraving's own facilities working three shifts on US currency. Private printing facilities which were virtually commandeered by Treasury to produce wartime foreign issues have now been almost all released. Commercial printing firms now fully engaged on work for their regular customers and would print foreign currency only under great pressure. Probably only company available for job is American Banknote Company which does only engraved issues and which presumably ruled out by time required. Treasury also points to severe shortage of paper owing to relaxation wartime controls.

B. Treasury considers preparation plates here and printing in another country technically undesirable. Wartime experience with such division of labor unsatisfactory. Might be feasible to have certain denominations done in one country and others in another country.

4. Alternative proposals: Treasury suggests canvassing possibility of having work done in Britain which is reported to have facilities, or in Germany, where Reichsdruckerei facilities are said to be intact. Presumably principal objections to use German facilities is secrecy. Treasury believes this would also be problem in US, pointing out that wartime operations became known outside official circles and were kept out of press only by voluntary censorship. This is confirmation of Fs letter to D.

End

Note: CC 3153 is CM-IN-3257 (16 Apr. 46).

Originator: CAD.

Distribution: D:SSP; D:PO; CAD (State); BD; Mr. Petersen; SERVAT.

#### FOREIGN CURRENCY EXCHANGE CONTROL

WDSBU 123.7 (10 Apr. 45) 533

14 JUNE 1946.

Memorandum for the Secretary of War.

Thru: The Chief of Staff.

1. During the initial Combat Phase of World War II, the control over the reconversion of foreign currencies held by individuals of the Armed Forces into U. S. dollars or dollar instruments was not considered an immediate problem because of the local controls already in effect within the foreign countries, and inherent in certain military government agreements and directives providing for additional controls effected by the U. S. Army, and because of the little time in which military personnel had opportunity to effect transactions involving relationships between foreign currencies and the U. S. dollar.

In the later stages of combat and during the redeployment period, especially in the European Theater, and in other areas where the effects of the war disturbed the local currency equation, some American military as well as civilian personnel associated with the prosecution of the war or the occupation, acquired abnormal amounts of foreign currency and used U. S. Army facilities as a means of converting such currency directly or indirectly into U. S. dollars.

Controls, to the extent administratively feasible in the various areas in which American personnel were stationed, were attempted during this period by the various theater commanders. These controls permitted the reconversion into dollars or dollar instruments of any portion of the pay and allowances of military personnel drawn in foreign currencies. Within the military enclave itself, despite the controls attempted, authorized personnel have, through the reconversion privileges offered them, returned foreign currencies in excess of the amount originally drawn by them.

2. In areas such as France, The Netherlands, Belgium, Netherlands East Indies, Italy, Germany, Austria, and Japan/Korea, the currencies ultimately used there were advanced to the U. S. Army, the dollar countervalues thereof being charged against the War Department and placed in a special deposit account, one for each country involved, in the Treasury Department. The purpose of such special accounts was to provide, not dollar backing in lieu of the sovereign liability of the relevant issuing country, but to provide a source of dollars

to be drawn upon when authorized personnel requested reconversion of the foreign currencies in their possession, drawn by them as pay and allowances, which they deemed excess to their needs, or to pay to a liberated nation the net countervalue of its currency placed in the local economy by military personnel.

3. It should be noted that at the present time the U. S. Army does not have sufficient dollars set aside to reconvert the German Allied Military Mark, Austrian Schilling, Netherlands Guilder, Japanese Yen, and certain other currencies now on hand in official accounts or quasi-official organizations or in the pockets of its military and civilian personnel.

a. A major portion of the excess foreign currencies now held by the U. S. Army result from the following: On the disbursements side, the U. S. Army pays and records as pay and allowances only for its own military personnel and civilians working directly for the military establishment; whereas on the receipts side, however, owing to the availability of Army service and administrative facilities to many U. S. civilians not paid by the War Department, and to non-U. S. personnel affiliated with the U. S. military establishment, cash collections reflect the foreign currencies received from all such personnel in these facilities, and returned by the latter to U. S. Army Finance Officers for reconversion into dollars. Stated in another manner, through its vast network of administrative and service facilities, the U. S. Army has received foreign currency for which it cannot readily find an outlet, and for which there is no dollar equivalent appropriated to the War Department.

b. United States troops have, in the main, been stationed in areas where the local economy was severely damaged during the war, resulting in vast quantities of cash in the hands of the local population and no commodities or goods available at the wholesale or retail levels. Consequently, the temptation to sell post exchange and items of individual equipment was great; money meant nothing to the native population; cigarettes, sweets, soap, and ordinary personal items commanded high prices.

c. The results of these and other factors are set forth in Tab A.

4. The elimination of such conditions is, in essence, the basic problem which must be solved. The War Department must, therefore, achieve the maximum possible foreign currency exchange control.

5. Since early April 1945, all of these problems have been carefully studied, as they developed, both within the War Department and in the field, and many situations have been anticipated.

a. In mid-July 1945, the European Theater established controls, initially in the Berlin District and, within a short time, throughout the theater; followed on 10 November 1945 by the installation of a currency control book recording individually foreign exchange transactions of military personnel. For a number of reasons, the control book did not prove entirely satisfactory. (Details concerning the control book can be found at Tab B.)

b. On 2 February 1946, the Mediterranean Theater inaugurated a system of individual currency control books, following a period of local controls. Profiting by experiences of the European Theater, the control system in Italy started on a more stringent basis; but inherently the same disadvantages are present in its currency control book.

c. The Pacific Theater does not use a control book system, but has effected some control through the medium of certifications and affidavits signed by personnel requesting reconversion of foreign currency. This has not proved too efficacious.

6. The Budget Division invited representatives of the European, Mediterranean, and Pacific Theaters to a conference in April 1946. High echelon officers, thoroughly familiar with the problems of foreign currency exchange control in their respective theaters attended; the War Department being represented by officers from Personnel, Plans and Operations, Civil Affairs, and Budget Divisions. Technical guidance was provided by the Office, Chief of Finance. Various proposals were examined thoroughly and four methods were selected for the most minute scrutiny, relative their effectiveness of complete control and administrative feasibility. (Brief descriptions of these plans are at Tab D.)

7. The plan unanimously and enthusiastically selected for recommendation by the conference group, was the use of a single special medium of exchange within the military enclave and no foreign currency reconversion.

a. The acquisition and use by the War Department of a single special medium of exchange would be predicated upon the proposition that whatever flows into the Army service and administrative facilities, from authorized personnel enjoying privileges therein, regardless of status or nationality if properly accredited, should be backed at all times by dollars under War Department control. Uses of this medium of exchange are shown in Tab C. A single special medium of exchange for use within the military enclave is not a new concept. Prior to the war, many overseas departments and some Zone of Interior installations required the use of nontransferrable coupon books in post exchanges, quartermaster sales stores, post theaters, and the like. Coupon books are often used in officers' messes and clubs. In attacking the same problem which is now facing the War Department, and in the face of a graver financial situation, the U. K. War Office is inaugurating a system of canteen money as the sole medium of exchange in the military enclaves of the British zones of Germany and Austria, on or about 1 August 1946.

b. The drastic change inherent in the War Department plan, as approved by Theater and War Department conferees, is the proposal of no further reconversion of local currency back into U. S. dollars and/or dollar instruments. The Army pay rolls are, and always have been, computed in dollars; reserving to the individual the right to draw, when stationed overseas, as much or as little of his pay in a foreign currency as he desired. Concurrently, authorized personnel have had the right to reconvert foreign currencies drawn by them, deemed excess to their needs, at any time at the same rate at which acquired. This reconversion privilege obtains in all areas overseas except where the troops actually draw U. S. currency over the pay table and then acquire local currency at whatever rate they can arrange for themselves in the local free market.

c. The adoption of a "no reconversion of local currency" policy requires only the promulgation of a War Department directive to the theaters. The adoption of a single special medium of exchange requires administrative and mechanical preparations of considerable

magnitude. While the problem of no reconversion was being thoroughly explored, based upon a staff study produced by the currency control conference, implementation inherent in a single medium of exchange was being explored from various angles, based upon a staff study prepared in this office. Copies of these staff studies are on file in the Budget Division.

8. Copies of the staff studies referred to in paragraph 7 *c* above, and tentative War Department and Theater Circulars prepared during the conference, were carried back to the three theaters by their representatives for full discussions with the Commanding Generals and their staffs. Immediate actions of various kinds have been taken in each of the three theaters, pending further detailed study of the over-all proposal that has been evolving since the April conference.

a. The European Theater, has tightened its control measures and, effective 20 June 1946, a new currency control record will be installed throughout the theater; the new record containing control features considerably more stringent than those inherent in the previously used control book.

b. The Mediterranean Theater has reexamined certain details of its currency control system and invoked certain stringent measures predicated thereon.

c. The Pacific Theater, which has had no currency control books has, since the return of their conference representatives, worked out an interim plan closely paralleling the joint War Department/Theater over-all plan and utilizing readily available stocks of an unused special currency (Type "A" Yen) not now in circulation. The two salient features are a single medium of exchange within the military enclave in the occupied areas of Japan and Korea and no reconversion of indigenous or of Type "B" Yen. This Pacific Theater interim proposal has the complete support of its Commander in Chief. Teletypewriter conferences of 11/12 and of 13/14 June 1946, indicate that detailed plans to introduce the interim measure have been carefully prepared and major technical and administrative problems solved. Provision has been made to convert local yen derived from official sources into the new medium of exchange.

9. Concurrences relative to the Pacific Theater interim proposal and the general War Department plan, in the event that the AFPAC trial is successful, have been obtained by the undersigned on an informal basis, following discussions with the Director of the Bureau of the Budget, the Comptroller General, the senior members of the Senate and House Appropriations Committees and of the House Judiciary Subcommittee. All have given their informal approval.

10. The keystones of a currency exchange control system, designed to afford military personnel abroad flexibility in the management of their day-to-day affairs as well as to safeguard the American taxpayer from assuming a burden not authorized by Congress, stemming either from the Army's offering services and facilities or from the irresponsibilities of American citizens stationed abroad, are:

a. A single medium of exchange for use within the military enclave, backed at all times by dollars under War Department control. These dollars should not be subject to use by any other agencies of the U. S. Government for any unauthorized purposes national or international, according to political pressures; and should not lapse or revert to the General Fund until they have served their purpose.

b. No reconversion of indigenous foreign currencies drawn, or purchased, by military personnel at their own discretion.

11. It is recommended that approval be given by the Secretary of War to:

a. The interim proposal of the Commander in Chief, AFPAC, in order to provide the War Department with a trial period for careful observation of its over-all currency control plan.

b. The War Department placing an order for the production of a suitable medium of exchange for circulation within the military enclave in the three major theaters. This will avoid considerable delay when the War Department plan is approved and introduced if the AFPAC interim plan has demonstrated its desirability.

George J. Richards,

GEORGE J. RICHARDS,

*Major General, GSC.*

*Budget Officer for the War Department.*

4. Incls.: Tabs A, B, C, & D.

Concurrences: AS/W, Mr. Petersen; D/P, Maj. Gen. Paul; D/PO, Maj. Gen. Arnold; CAD, Maj. Gen. Echols.

Noted—Deputy Chief of Staff, U. S. Army, 15 June '46.

Approved:

R. P. PATTERSON,

*Secretary War.*

## TAB A

### EXCESSES OF FOREIGN CURRENCIES

The Army, in surveying the accounts of various foreign currencies now held within the several Theaters, finds that it has reconverted for military or authorized civilian personnel foreign currencies in excess of pay and allowances in the following approximate amounts:

German Allied Military Mark Currency	\$111,000,000
Japanese Yen Currency	27,000,000
Netherlands Guilder Currency	22,000,000
Austrian Schilling Currency	21,000,000
Czechoslovakian Crown Currency	3,000,000
Total	184,000,000

No War Department appropriations are available to meet these excesses reconversions. Recovery of the U. S. dollar countervalue of these excesses can only be through—

a. Using the currency for local procurement purposes in the country concerned,

b. Turning the currency directly back to the country concerned for dollars,

c. Working off the excess through sale to U. S. Commercial firms,

d. Accepting the loss and asking the Congress of the U. S. to relieve the Army of this responsibility by appropriation of the necessary dollars to back the excess foreign currencies,

e. Absorb the loss under the provisions of Section 2 of Public Law 554, 78th Congress,

f. Enforcement of strict exchange control to the end that, where troops are still located in a specific foreign country where an excess exists, the excess be gradually reduced.

Attention is invited to the fact that recovery by the methods in *a*, *b*, *c*, and *d* above is normally not easily accomplished and in *a*, *b*, and *c* could not be done without the permission of the country involved. The method in *e* would probably require Comptroller General and/or Treasury Department approval. In the case of Germany and Japan, only the methods in *d*, *e*, and *f* are open to recover from this position.

### Tab B

#### FOREIGN CURRENCY EXCHANGE CONTROL BOOK

In the European and Mediterranean Theaters a system of individual control books has been established. Each individual paid by the U. S. Army disbursing officer acquires a control book in which his unencumbered pay and allowances issued him; or dollar instruments converted into foreign currency are recorded. Similarly each reconversion of foreign currency into dollars or dollar instruments is recorded and appropriate deductions made from the available balance as noted in the book. In this manner no individual can reconvert foreign currency into dollars for a sum greater than the dollar value of the balances available in his control book.

The administrative burden of a book control is considerable. It requires that the personnel officer of each organization maintain the control books, record all money issued to the soldier and record and deduct all reconversion or other transactions desired by the soldier. It requires close checks and supervision to insure that the individual does not illegally acquire control books and forge entries in such control book.

It requires continuous renewal of books if they become lost, torn up, or stolen. It requires that any funds received by the individual from non-appropriated funds source such as company funds, post exchange, etc., be coordinated with the personnel officer before payment is made. At its best, the human element of error is ever present.

Under this system, however, it is still possible for an individual to draw his pay in foreign money, spend it in the local community, replace it by black market activity and turn it into dollars up to the net credit balance on his control card by reconversion through the disbursing officer. The individual may also use foreign currency received through the black market in commissary and post exchange purchases, which currency in turn is reconverted into dollar instruments.

### Tab C

#### EMPLOYMENT OF THE SINGLE MEDIUM OF EXCHANGE

It has been assumed that the proposed single medium of exchange will be used exclusively, as the only authorized medium of exchange for purchasing goods and services, in:

- a. All Army Post exchanges and all Navy Ship's service stores.
- b. All U. S. Army and Navy sales and service installations and activities.
- c. Theater, moving-picture and other entertainment facilities operated by the military establishments.
- d. Officers' and enlisted men's messes and clubs, including Red Cross installations.

e. Wherever ultimate remittance to the United States through Army channels is involved, contributions for all eleemosynary purposes, including all authorized charitable appears, including church collections and Chaplain's funds.

f. Wherever ultimate remittance to the United States through Army channels is involved, payments to all travel agencies, radio, cable, telegraph and telephone companies, and all other service facilities of similar types.

In addition, the authorized personnel in possession of the proposed medium of exchange may use it at any time for the purpose of military payment orders, postal money orders, U. S. stamps, U. S. Treasury checks, and U. S. dollar currency and coin under suitable appropriate conditions, travelers checks, U. S. Savings Bonds, personal transfers to the U. S., and for making soldiers' deposits.

Furthermore, if military or authorized personnel desire local foreign currency for expenditures outside the military enclave, the proposed medium of exchange may be converted by Finance officers into such local currency at the prescribed rate of exchange.

It should be noted that no member of the military establishment will be required to draw any part of overseas pay and allowances in the proposed medium of exchange. It is proposed that personnel paid by U. S. Armed Forces will be given the choice of drawing their pay and allowances overseas in:

- a. Military payment orders; or
- b. The proposed medium of exchange; or
- c. Any combination of the above.

The same would be true for the encashment of various dollar instruments received from the U. S.

### Tab D

#### FOREIGN CURRENCY CONTROL PROCEDURES AND THEIR RELATIVE EFFECTIVENESS CONSIDERED BY THE WAR DEPARTMENT AND THEATER COMMERES

##### 1. Pay of personnel of the military establishments overseas in U. S. dollar currency and coin.

Effectiveness of control: 100%. (No foreign currency reconversion allowed as original conversion rate is not uniform.

All pros and cons of payment in U. S. dollars overseas are detailed in report on House Resolution 150 dated 28 April 1945. Principal considerations are:

a. Dollars are not legal tender in most foreign countries, and their circulation is prohibited and often a criminal offense.

b. More effectively to mobilize their foreign exchange assets, including dollars, foreign governments prefer receiving the dollar equivalent of net troop pay spent in their local economy as an intergovernmental payment and not through the medium of dollar currency scattered into their economy through the pay and allowances of individual military personnel.

c. Presence of a large supply of dollars would hamper the restoration of confidence in the local foreign currency and render even more widespread currency black-market operations detrimental to morale on both sides.

2. Use of a single special medium of exchange within the military enclave and no foreign currency reconversion.

Effectiveness of control: 100%.

All pros and cons are discussed in detail in the memorandum to the Budget Officer for the War Department dated 27 April 1946, and the two staff studies inclosed therewith, all on file in the Budget Division. Major factors are:

a. Single medium of exchange to which access may be had by military and authorized civilian personnel under conditions prescribed by the War Department/Theater commanders results in a currency at all times backed by dollars under the control of the War Department. The proper disciplinary actions can be taken if such a medium of exchange is found in the hands of the native population or unauthorized personnel, since this special medium is not eligible for circulation outside of areas prescribed by the theater commander. Even if this medium does get into native hands, its reintroduction into the military enclave, through a black-market transaction, does not effect the War Department's ultimate liability inasmuch as, except by counterfeiting, the said special medium does not get into use without dollar backing.

b. Until personnel overseas become accustomed to acquiring local foreign currencies in small amounts only as they are needed, there may be some inconveniences to them. Once the habit is acquired, carrying excess funds in dollar instruments such as military payment orders, express checks, etc., will be found more convenient.

c. The normal ebb and flow of funds between members of a large military and authorized civilian group, without the use of a special medium of exchange, certain members of the community may legitimately acquire large balances of currencies which they cannot convert into dollar instruments under record or any other similar procedures.

3. Use of currency control book and a system of a single medium of exchange or of coupon books within the military enclave.

Effectiveness of control: not complete; dependent entirely upon complicated administrative measures taken to impose mathematical limits on net credit balances accruing in the control book.

This system has already been outlined within the War Department and to the theaters in the proposed War Department Circular as forwarded to them at the beginning of April 1946 prior to the conference. No theater headquarters approved thereof.

Pros and cons of this combination are discussed in the two staff studies referred to in paragraph 2 above. Major considerations are:

a. Proceeds of black-market operations will be introduced into the U. S. Army finance channels (and/or A. P. O. system) to the extent that net credit balances accrue in the currency control books; and/or to the extent that coupon books, or the nondetachable coupons therein, get into circulation more than once.

b. See also description of Control Books in Tab B.

c. Control Books themselves cannot be made efficiently voluminous to take care of every transaction such as pur-

chases at PX's for American produced merchandise aggregating less than \$1.00 or even \$5.00; U. S. stamped envelope purchases at A. P. O.'s; as well as meals and other club facilities furnished for cash.

d. See also Tab B.

4. Use of Control Books alone (requiring tightening in ETO and MTO, and introduction in AFPAC); virtually status quo.

Major conditions are:

a. The implied use, under this system, of foreign national and occupation currencies within the military enclave, allows for receipts of such foreign currencies by the U. S. Army, through its various service and administrative facilities, as an excess over the foreign currencies disbursed in pay and allowances.

b. Potential excesses will accrue to the U. S. Armed Forces even though the foreign currencies used by authorized personnel were legitimately acquired, but, of course, acquired with dollars and/or other foreign currencies not of War Department origin or under War Department control.

5. Also included in the conference discussions but discarded for various political and technical reasons, have been such proposals as:

a. Fixed denomination military payment orders in bearer form.

b. Military payment orders issued in accordance with the provisions of WD Circular 159/45.

c. Coupon books of different gross values, each containing varying quantities of non-detachable coupons of various denominations from five cents to five dollars per coupon.

d. Continuous scrip certificates, similar to the American railroad mileage book.

e. Military certificates, as proposed by the U. S. Treasury Department.

f. Special canteen money as proposed by the U. K. Treasury.

g. Any combination of the above.

#### FOREIGN CURRENCY EXCHANGE OF MILITARY PRISONERS

WD, OCF Foreign Monetary  
Branch, FINEF 72689 Capt.  
J. D. Massey

14 JUNE 1946.

CG CDC, Quarry Heights, C. Z.; CG SAWATC, Natal, Brazil; CG DUSAI, New Delhi, India; CG USAFC, Shanghai, China; CG USFET, Frankfurt, Germany; CG USFMTO, Caserta, Italy; CINCAFPAC, Tokyo, Japan.

Information:

CG AFMIDPAC, Ft. Shafter, T. H.

CG AFWESPAC, Manila, P. I.

Number: WARX 91359.

For Fiscal Director signed FINEF request this information be disseminated to Commanding Officers of mil stockades and to all Finance Officers.

Exchange of foreign currency for general and garrison prisoners who are to be returned to ZI is subj. In accordance with the Currency Exchange Control Regulations of your theater, eligible amts of foreign currency shown on the personal property acct of each army mil prisoner should be exchanged for dollar instruments as soon as he becomes a general prisoner. A small amt of foreign currency deemed necessary for local purchases may be held in acct of each general prisoner but immediately prior to his departure for the United States all eligible foreign currency in the property acct of each prisoner whether general or garrison will be exchanged and it is requested that a report for each prisoner be made as to the currency exchanged and not exchanged and that this report be included with his mil records. It is considered that prisoners who were convicted of desertion, black market operations or AWOL over 90 consecutive days immediately prior to apprehension, should not receive exchange for their foreign currencies as their funds probably were not derived from official sources.

End

Originator: SERVAT-Fisc.

Distribution: D/PA, D/PO, Navy, TAG, SERVAT-PMG, BD.

#### CONVERSION OF GERMAN MARKS FOR COMMUNICATION COMPANIES

##### Memorandum for the Budget Officer:

1. A meeting was held in the Office of the Chief of Finance on 19 June 1946 at the request of representatives of the Radio Corporation of America and Macay Radio and Telegraph Company relative the conversion of German marks which the companies hold as a result of revenues from Expeditionary Force Messages, Senders, Composition Messages, and Flower Transmission Type Messages. The undersigned represented the Budget Officer for the War Department at the conference.

2. Present were: Major General W. N. Kasten, Chief of Finance Lt. Col. P. Feyereisen, Budget Div., WDSS; Captain J. N. Neill, Jr., Foreign Monetary Br., OCF; Captain J. B. Massey, Foreign Monetary Branch, OCF; L. G. Hills, RCA Communications, Inc.; W. P. Richmond, RCA Communications, Inc.; F. P. Guthrie, RCA Communications, Inc.; Lon A. Cearley, RCA Communications, Inc.; J. W. Lair (Mackay Radio); J. A. Hartman AC&R (Mackay Radio); C. R. Wakela, FCC, Field Div.; A. W. Booth, FCC Tariff, Div.; Florence A. Trail, Telecomm. Div., State Dept.

3. The communication companies were informed of the European Theater Commander's concurrence with the War Department's position relative the conversion of marks held by the companies as a result of EFM and SCM type messages (except for a one year's operating supply of marks) and of the European Theater Commander's decision relative the non-conversion of marks held by the companies as a result of flower type transmissions. (Per S-5731, dated 14 June 46).

4. Mr. Hills, speaking for the two companies, presented the following points in requesting reconsideration of the War Department and Theater Commander positions:

a. The companies were of the impression that the War Department would give the final decision in this matter, whereas information to date indicates the final decision has been made by the Theater Commander.

b. The communication companies frankly admit the nonexistence, in so far as is known to date, of any specific written authorization for the flower-type transmissions.

c. Request for the flower-type transmissions was by the American Red Cross, and the initiation of the service was for troop-morale purposes.

d. The JCS authorization stated "in order to handle press facsimile, EFM and any other commercial type traffic permitted and censored by military authority" was in effect authorization for the flower type, transmissions as all traffic was censored by the military authorities. The indirect and implied approval of the U. S. Army of the flower transmissions through the fact that the Army did not stop the messages through its censor facilities was cause for the companies to request reconsideration of the U. S. Army decision.

e. Army sponsored and controlled facilities, especially the Post Exchanges, were the agencies which accepted orders and payments in marks for flower type transmissions. Accordingly, the Army personnel employed therein approved of the transmissions and, to all outward appearances, sold the service to authorized personnel. Army sanction of this procedure clearly indicated U. S. Army approved of the transmission and obligates the War Department to convert the marks into U. S. Dollars for the companies.

f. Specific tariff registrations with FCC for the flower type transmissions were not necessary, as the actual messages sent, although directing the purchase of flowers, were only of the Sender's Composition Type authorized in tariffs already registered.

5. The War Department comments to the points raised by the Companies were as follows:

a. The War Department was definite in its decision not to convert German marks held by the companies resulting from flower transmission revenues. It did, however, in all fairness to the companies, allow the Theater Commander the decision to convert those marks if either direct or indirect authorization could be found within the theater for the transmissions.

b. The War Department also knows of no written authorization for the companies to provide flower type transmission service.

c. The American Red Cross is not a part of the War Department and accordingly was not in any way authorized to request the services, even for morale purposes.

d. The censorship effected by the U. S. Army was for intelligence purposes only and the absence of an administrative stoppage of the messages through this medium could not be expected in any way.

e. In the event Army Post Exchanges and Army personnel were involved, such participation was voluntary, without reimbursement, and in the role of providing a centralized locality for the conveniences of the cable companies. In as far as it known, Post Exchanges were not authorized to participate in this manner, although certain local decision by Post Exchange personnel might well have been taken to assist the cable companies.

f. Although the flower transmission message was, in itself, a Senders Composition Message, the message actually effected a remittance of money to the United States and a conversion of marks into dollars which were circumventions of Currency Exchange Controls.

6. In further reply to request for reconsideration, the communication companies were assured that any further information presented by the companies would receive consideration by the War Department, when and if submitted by the companies concerned. Representatives of the companies indicated the intent to investigate further and present a written request for reconsideration of the matter. The War Department indicated that it could only consider authorization of the flower-type transmissions if given by proper authority. It could not consider an approval of the flower transmissions as given by an individual not duly authorized to give such approval.

7. Settlement as decided upon by the War Department, with no prejudice to future settlement of the flower transmission marks, will be effective 30 June within the theater.

PAUL A. FEYEREISEN,  
*Lt. Colonel, GSC.*

#### PRODUCTION ASPECTS OF A SPECIAL MEDIUM OF EXCHANGE FOR USE IN THE MILITARY ENCLAVE

21 JUNE 1946.

Memorandum for the Chief, Budget Division:

1. Meeting took place in the Director's office. Those present: Messrs. A. W. Hall, H. J. Holtzclaw, Bureau P/E; Messrs. Heffelfinger, Nysonger, Fiscal Service; Messrs. Bronz, Brooks, Macneill, General Counsel; Messrs. Willis, Parker, Monetary Research; Colonels Pforzheimer, Tench, Feyereisen, BOWD; Captain Leach, OCF.

2. Interim plan—use of Type "A" yen in AFPAC—described. Experiment, if successful, to be followed by use of a single medium of exchange within the military enclaves of ETO, MTO and AFPAC.

3. Desire to start production soonest, in anticipation.

4. Production of a single medium of exchange by the Bureau cannot be begun until the following data has been supplied:

a. Availability of paper—This constitutes the largest single deterrent; supply by the Army/Navy of large quantities of white waste rag would be most desirable. Question of Army/Navy priority to be explored.

b. Determination of suitable language on the obverse and reverse of the note—informal opinion that no signature is necessary.

c. Total amount involved (assumption that dollars and cents will be used)—size, denominations, number of pieces.

d. Security—It was pointed out that if the dollar backing were controlled at all times by the War Department and no special medium would get into circulation without such dollar backing, the principal source of potential deficit in the reserve account would be counterfeits introduced into the military enclave.

(1) Engraving (similar to standard U. S. currency)—the most secure but requires a long production period, something in the neighborhood of six months.

(2) Offset Printing—can be off the presses in four colors in about 60 days from completion of plates.

e. Various countermeasures were discussed in the event that an offset process was used, engraving being considered a too lengthy process; while the use of a different medium of exchange in each major theater would only lead to cumbersome administrative and control difficulties (without compensating security factors), the proposal to change the style of the medium about every six months (at slightly odd intervals as an added precaution) was favorably considered; denominations would not be higher than ten dollars; the Bureau would explore possibilities of using color discs in the paper itself.

CARL H. PFORZHEIMER, JR.,  
*Colonel, GSC,*  
*Chief, Foreign Financial Br.*

P. S. At meeting this morning with Messrs. Macneill, Brooks, and Willis of the Treasury Department, the following wording was tentatively agreed upon: "Military Payment Certificate"—"For use only in United States military establishments by United States authorized personnel in accordance with applicable rules and regulations."

C. H. P., Jr.

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WD Special Staff B. D.  
Foreign Financial Br.  
WDSBU 123 Cur. (7 Sep. 45).  
2250, Col. Pforzheimer Ex. 2806.

21 JUNE 1946.

CONFERENCE ON FOREIGN CURRENCY EXCHANGE CONTROL

CG USFET, Frankfurt, Germany.

CG USFMT, Caserta, Italy.

Number WARX 92170.

COMGENUSFET and CONGENMED for action signed WARBUD.

Reference is made to conferences this office relative foreign currency exchange control. AFPAC has available, and not in circulation in any area, a type "A"-yen. Using a C-Day procedure, this type "A" yen will be introduced into the military enclave early next month in the occupied areas of Japan and Korea, and thereafter no type "B" and/or indigenous yen will be reconverted into dollars or dollar instruments. The type "A" yen will be available for disbursement as pay and allowances. Other details of implementation and administration are similar to plans prepared by theater and War Department conferees. WARSEC has approved use of type "A" yen as a single medium of exchange within the military enclave on an experimental basis. If experiment proves successful and War Department has every reason to believe it will be, special medium of exchange, denominated in dollars and cents, will be introduced simultaneously in ETO and MTO and substituted for type "A" yen in AFPAC.

Anticipating success in type "A" yen experiment in AFPAC, meetings inaugurated with various agencies here leading towards production special medium of exchange. Following information urgently required, assuming special medium of exchange will be denominated in dollars and cents:

a. Total dollar value of special medium required by your theater to accomplish exchange of foreign currencies in hands of authorized personnel deemed legally acquired by you and for approximately 6 months thereafter.

b. Break-down of number of pieces by following denominations: 5, 10, 25, 50 cent pieces; 1, 5, and 10 dollar pieces. As an added security precaution, it is suggested that not too much emphasis be placed upon higher denominations.

c. Total number of pieces required.

d. Lead time required for orderly distribution of special medium from arrival time your theater supply port.

End

Originator: B D.  
Distribution: D/PA.  
D/SSP.  
D/PO.  
CAD.  
SERVAT-Fin.  
Mr. Petersen.

#### ISSUANCE OF CURRENCY CONTROL RECORD

Chief of Finance, WD, Wash., D. C.

21 JUNE 1946.

CG, 1st Army Area, New York, N. Y.  
CG, 2nd Army Area, Baltimore, Md.  
CG, 7th Army Area, Atlanta, Ga.  
CG, 4th Army Area, San Antonio, Tex.  
CG, 5th Army Area, Chicago, Ill.  
CG, 6th Army Area, San Francisco, Calif.  
COMGENCARIB, Quarry Heights, C. Z.  
COMGENSAWATO, Natal, Brazil.  
CG, DUSAI, New Delhi, India.  
CG, DUSAME, Cairo, Egypt.  
CG, USAFC, Shanghai, China.  
CG, AD Ft. Richardson, Alaska.  
CG, USFMTO, Caserta, Italy.  
CINCAFPAC, Tokyo, Japan.

Information:

COMGENAFMIDPAC, Ft. Shafter, T. H.

COMGENAFWESPAC, Manila, P. I.

CG, USFET, Frankfurt, Germany.

Number: WOL 21590.

For Fiscal Director from FINEF.

MC-OUT-21590 (Jun 46)

European Theater on 20 June 46 began issuance of a currency control record to replace its currency exchange control book. Beginning 1 July 46 currency control record will be required for exchange of all European Theater currencies and it will be utilized according to instructions contained in the record.

If an individual requests exchange of European Theater currencies subsequent to 30 June 46 and does not have a currency control record he will be required to establish by sworn affidavit that he departed the European Theater prior to 1 July 46 and no currency control record was ever issued to him. Consideration will then be given the request if he has a currency exchange control book in accordance with current WD exchange control regulations.

Henceforth the only conditions under which requests for exchange of European Theater or Italian lira currency will be considered outside the theater where the currency is legal tender without either a currency control record or a currency exchange control book are those conditions set forth in subparagraphs (1), (2), and (3) of 4 C's, section 2, finance bulletin 97, 45 before it was amended as explained in para. 5C, section 3, finance bulletin 32, 46. Para. 12C of cir. 64, WD. 46 will be amended accordingly.

End

Originator: SERVAT-Fin.

Distribution: CG AAF(ATC), D/PA, D/I, D/PO, Navy, BD, MDW.

#### MARK ADVANCES TO ALLIED GOVERNMENTS

22 JUNE 1946.

From: OMGUS for Germany Berlin, Germany sg'd Clay.

To: War Department for WDSCA.

Nr: CC 7499.

Subject is mark advances to Allied Governments by currency section, OMGUS.

1. At 31 May 1946, books of currency section for Germany reflected following mark advances to Allied Governments:

French Army 670,938,650.00;

Belgium 15,473.00;

Czechoslovakia 481,490.00;

France 44,540,000;

Netherlands 318,596.65;

Poland 103,205,000.00;

Soviet Union 3,061,320.00.

2. This office is without information concerning the terms under which these advances were negotiated or agreements relative to their repayment. Czechoslovakian representatives now present inquiry on method of repayment.

3. Request indication of action to be taken in response to inquiries from representatives of above governments on matters of repayment of above advances.

New subject: Repayment of advances by Allied Military missions.

1. At 31 May 1946, books of currency section reflected following mark advances to date to missions made under authority your W 96781 dated 12 February 1946:

Brazilian reichsmarks 36,154;  
 Chinese reichsmarks 20,000;  
 Czechoslovakian 50,000 reichsmarks;  
 Danish 30,000 reichsmarks.

2. Currency section has reimbursement agreements required, but reimbursements methods mentioned reference cable not yet received.

3. Missions have requested that demands for dollar reimbursement be presented to them through Finance Division, OMGUS, and not to respective governments, since missions have dollar credits in New York available for this purpose.

End

Action: CAD.

Info: D/I, D/SSP, D/PO, CAD (State Treas), Bud. Div., Mr. Petersen.

#### ESTABLISHMENT OF REICHSMARK FOREIGN EXCHANGE RATE

##### JOINT CHIEFS OF STAFF

*J. C. S. 1067/23*  
*22 June 1946.*  
*Pages 145-154, incl.*

##### *Note by the Secretaries*

The State-War-Navy Coordinating Committee, in response to a request for the preparation of a reply to the message in Enclosure "B" (SWNCC 267/D), requests that the message in Enclosure "A" (Appendix "C" to SWNCC 267/4) be sent to the Office of Military Government for Germany (U. S.), provided the Joint Chiefs of Staff have no objection from a military point of view.

A. J. McFARLAND,  
 C. J. MOORE,  
*Joint Secretariat.*

Draft

##### ENCLOSURE "A"

##### MESSAGE TO THE OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U. S.)

The following, received from the State, War, and Navy Departments, is furnished for your information and guidance in reply to your CC-23313 February (Enclosure "B") and CC-4481 May (Enclosure "C"):

"1. Pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the Germany economy rate of ten reichsmarks per dollar must be applied to categories of transactions enumerated in paragraph 2 below and to similar transactions. You are authorized and directed to introduce in Allied Control Authority proposal to establish this rate for such transactions. This rate should not be employed in pricing merchandise exports.

"2. It is agreed that commercial exchange rate should be established for following purposes:

a. To permit purchases of reichsmarks by American and foreign business firms and individuals, government missions, et cetera, operating in Germany, in order to defray their net reichsmark expenditures incurred outside U. S. Army facilities.

b. To facilitate pricing of services sold to foreigners against foreign exchange, including rail transit charges.

c. To permit benevolent and support remittances to Germany, when and if remittance facilities are established and licenses granted.

"3. Prices of export products should continue to be quoted in foreign exchange and based on world market prices or prices in importing countries. Where such prices are impossible to establish, as in cases of specialty products, suggest as one possibility the prewar export prices be employed as basis for calculation with whatever adjustment you deem appropriate to take account of changes in prices of similar or related commodities in importing country.

"4. Your points in opposition to use of ten-to-one rate and in favor of three-to-one rate:

a. Agree that internal purchasing power of reichsmark in terms official prices in general exceeds ten cents. Expect bulk of foreign expenditures to consist of commodities and services purchased at official prices. But any resulting gain to foreigners will be comparatively small since volume transactions will presumably not be large.

b. No conclusive evidence presented that establishment reichsmark exchange rate at ten cents would substantially diminish foreign exchange accruing to German economy as compared with higher rate such as three marks to dollar. Believe dollar value benevolent and support remittances would not vary appreciably with rate since remitters probably determine dollar value of remittances with little reference to reichsmark equivalent. There might be some reduction in foreign exchange proceeds in few cases where demand for reichsmarks relatively insensitive to their cost in foreign exchange such as purchased by foreign missions and businessmen in Germany of German goods and services for consumption in Germany and to lesser extent purchase of transit services in Germany. Believe however that in such cases volume foreign exchange accruing to German economy not significantly affected particularly if account taken of probability serious collection difficulties in collections might be encountered if transit services priced at three to one rate rather than ten to one rate.

c. Fail to see how use of ten-to-one rate can impair stability present German price structure so long as rate not reflected in prices of imported or exported commodities. Additional purchasing power resulting from higher reichsmark proceeds to recipients of remittances will have negligible effect on German economy.

d. Comparison prices in Germany and in United States of foods available on ration in Germany not considered sufficiently broad basis for comparison purchasing power of reichsmark and dollar. Although there is no entirely satisfactory basis for calculation purchasing power parties considerably broader range of prices and costs should be included in such calculation.

"5. Factors not taken into account under CC 4481 militating against establishment three-to-one commercial rate and in favor ten-to-one rate are:

a. U. S. Government opposed as matter of general policy to employment multiple exchange rates. Establishment of three reichsmarks per dollar commercial rate without change in troop pay conversion rate might be so construed. Change in troop pay conversion rate would involve serious difficulties.

b. At three-to-one rate substantial volume of black-market transactions might be expected, especially if troop pay rate remained at ten-to-one.

"6. For your information, the U. S. Forces of Occupation in Austria has proposed to Allied Council for Austria establishment of interim general exchange rate ten schillings per dollar.

"7. Disposition dollar proceeds of remittances and procedure for making remittances under consideration."

## ENCLOSURE "B"

18 FEBRUARY 1946.

From: Office of Military Government for Germany (U. S.).

To: War Department.

Nr: CC 23313.

Reference: Licensing under the Trading With the Enemy Act of U. S. business operations in Germany, and necessity for establishment of reichsmark foreign exchange rate.

1. Reference your W-91391. We recommend that in considering the issuance of licenses permitting U. S. individuals or concerns to operate in Germany on a private or commercial basis, attention be given to establishing a reichsmark foreign exchange rate, either on an interim or final basis, for commercial use on a closely restricted basis. We realize that some U. S. concerns that operated in Germany prior to the war may have adequate reichsmark balances available and have no need for an inward dollar capital flow, necessitating a reichsmark-dollar exchange rate, to meet their current financing requirements. On the other hand, concerns such as Associated Press, American Overseas Air Lines, and others have no reichsmark balances available and, if they are to be licensed to operate in Germany on projects not wholly for the benefit of and essential to military operations, will require the conversion of dollars into reichsmarks for which there is no rate or procedure available at the present time. It would not seem equitable that only U. S. concerns with reichsmark balances available in Germany be licensed to operate here because of the obvious discrimination involved.

2. At the present time Associated Press is receiving reichsmarks in Frankfurt via Finance Department spearhead deposits from London at the military rate. About \$5,000 per month is involved. To the extent that reichsmarks so purchased are used (1) to defray the cost of supplies and services obtained from U. S. Army sources and (2) for functions essential to military operations, such reichsmark purchases are justified. However, to the extent that reichsmarks so acquired are used to buy German goods and services involved in private commercial transactions, the following question is raised: Are purchases of reichsmarks against dollars by a foreign individual or entity to meet the cost of German goods or services to be regarded as a German export transaction, and the dollars to go to the credit of the export account for subsequent pooling? If so, the military mark exchange rate should not be used for commercial transactions as the internal purchasing capacity of the reichsmark, based on maximum legal prices and wages, is invariably in excess of ten cents. Otherwise foreign purchasers would realize an excessive dollar purchasing capacity in Germany with corresponding reduction in the total amount of dollars accruing from German exports.

3. U. S. dollars paid to the Finance Department for reichsmarks purchased at the military rate and used in Germany by foreign concerns, under the existing system, are not made available to the export dollar account. The dollars become the sole property of the U. S. which may be in violation of the interim export-cash-import pooling account agreement.

4. We suggest that consideration be given the feasibility of establishing an interim reichsmark-U. S. dollar foreign exchange rate, closely restricted for use in specifically defined instances which for the present might include only the following:

A. Sale of reichsmarks for dollars or other approved currencies to U. S. and other foreign individuals or concerns licensed to conduct business transactions in Germany, dollars so obtained to be credited to the export account on the pooling principle and used to pay for imports into Germany.

B. Sale of reichsmarks for dollars or other approved currencies to individuals who wish to make benevolent remittances to relatives and friends living in Germany. We are advised that considerable pressure exists to permit such remittances but the establishment of an interim exchange rate is a prior essential. We do not propose that dollars so obtained be credited to the export account but rather that they be utilized for other essential current operating expenses involving foreign exchange.

C. As a means of evaluating in dollars the market price of a very limited group of German exports, whose appraisal on a dollar basis is not otherwise administratively feasible. To appraise these German exports requires specialized knowledge and skill not always available or available only at a prohibitive cost in relation to the item to be exported. The use of an

interim exchange rate to evaluate the item would be of benefit to all concerned and make the interim export-import program workable in such instances on a more practical basis.

5. An interim reichsmark foreign exchange rate, if established and restricted to the three purposes noted above, would eliminate countless difficulties now confronting the financing of German exports, and would provide the solution to many current problems such as providing reichsmarks to Dutch and Belgian barge owners transiting from Germany to Switzerland via the Rhine who must purchase certain German supplies while en route. The appraisal on a U. S. dollar basis of each single item purchased by the barge operators is not practicable.

6. We will be prepared, if you agree in principle, to recommend an interim reichsmark exchange rate for the dollar for restricted commercial use in the U. S. zone of Germany and attempt to obtain agreement to its extension to those zones operating with U. S. under the interim export-import program.

Pending solution of the foreign exchange problem outlined above, we feel that any license or licenses issued by treasury should operate only to remove the prohibitions imposed by the Trading With the Enemy Act.

End

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ENCLOSURE "C"

4 MAY 1946

From: Office of Military Government for Germany (U. S.).  
To: War Department.  
Nr: CC 4481.

Reference our CC 23313, and your reply W 81481, 22 March 1946.

1. The nonexistence of a reichsmark foreign exchange rate which may be used for certain specified commercial purposes has created serious foreign trade problems which, if corrective action not taken, can only result in hampering the achievement of the Potsdam economic unity objective, delaying the economic revival of certain countries bordering on Germany, and increasing the foreign exchange costs of the occupation of Germany.

2. Since the time of the capitulation, foreign shippers or consignees have not been billed for the foreign exchange value of rail transit freight charges arising in the U. S. zone. This is also true in the British zone and possibly so in the other zones. Due to the complexity of rail tariff charges, it is wholly impracticable to attempt making an independent appraisal of the value of such services on a U. S. dollar basis. The U. S. dollar value can be ascertained only by means of an exchange rate whereby the reichsmark charges may be converted into dollars.

3. The American Overseas Airlines, Inc., expect to commence operations in Germany at an early date. Tickets will be sold exclusively in dollars and no reichsmark income will be available to cover local purchases of materials and services which, of course, must be regarded as exports. The reichsmarks used by the company must be purchased for dollars, but we have no exchange rate.

4. The Soviet authorities are most anxious that certain foreign delegations be permitted to visit the Leipzig Fair. However, the lack of an exchange rate creates great difficulties and it would appear that the foreign delegation will be permitted, as a special exception, to convert their currencies, or dollars, into reichsmarks at the military exchange rate.

5. Czechoslovakian authorities maintain that their use of the German railroads for transit freight purposes, incoming and outgoing, without any idea of the ultimate dollar charges to be levied for such services is causing great concern as it is impossible under such circumstances to correctly establish selling and purchasing prices. The same situation applies to other countries forced to use Germany rail services.

6. We could continue to cite instances of the difficulties and actual damage caused by the nonexistence of an exchange rate, particularly the War Shipping Administration's problems pertinent to ship repairs effected in Bremen and the matter of benevolent remittances. However, we feel that we have outlined the problem sufficiently.

7. We are wholly opposed to the use of the military rate of exchange for limited commercial purposes in Germany. Such a practice would tend to break down the present German price structure and result in an unjustified reduction in the amount of dollars collected from German export sales. We offer the following example as an estimate of the present purchasing power parity of the reichsmark in the legal market in relation to the dollar and as one of our reasons for being opposed to the military rate for commercial use:

Cost of monthly ration for average German family (2 adults and 2 children) 8th ration period:

Item bread:

Quantity, 51,000 grams; reichsmark price per unit, .36 per kilogram; reichsmark total, 19.44; dollar price per unit, .096 per pound; dollar total, 11.44.

Item potatoes:

Quantity, 1,000 grams; reichsmark price per unit, .12 per kilogram; reichsmark total, 6.00; dollar price per unit, .623 per 15 pounds; dollar total, 4.58.

Item nachmittel:

Quantity, 2,400 grams; reichsmark price per unit, .62 per kilogram; reichsmark total, 1.49; dollar price per unit, .1157 per pound; dollar total, .88.

Item fat:

Quantity, 1,750 grams; reichsmark price per unit, 2.00 per kilogram; reichsmark total, 3.50; dollar price per unit, .241 per pound; dollar total, .93.

Item meat:

Quantity, 4,300 grams; reichsmark price per unit, 1.64 per kilogram; reichsmark total, 7.05; dollar price per unit, .283 per pound; dollar total, 2.69.

Item cheese, hard:

Quantity, 504 grams; reichsmark price per unit, 2.09 per kilogram; reichsmark total, 1.01; dollar price per unit, .357 per pound; dollar total, .10.

Item cheese, soft:

Quantity, 250 grams; reichsmark price per unit, .50 per kilogram; reichsmark total, .13; dollar price per unit, .10 per pound; dollar total, .06.

Item milk, skimmed:

Quantity, 10.00 grams; reichsmark price per unit, .11 per liter; reichsmark total, 2.66; dollar price per unit, 0.08 per quart; dollar total, 1.34.

Item coffee:

Quantity, 500 grams; reichsmark price per unit, .50 per kilogram; reichsmark total, .45; dollar price per unit, .307 per pound; dollar total, .34.

Items sugar, milk whole, marmalade (no figures submitted):

Final reichsmark total, 41.73; final dollar total, 22.61.

8. The above figures indicate a purchasing value for rationed foods of slightly in excess of 54 cents for the reichsmark and, if we were to make allowances for an anticipated increase in reichsmark costs due to the abolishment of agricultural subsidies, the purchasing capacity parity would be slightly under 50 cents per reichsmark. We are aware of the incompleteness of this brief study, but we might add that from the standpoint of labor costs, one reichsmark is roughly equivalent in purchasing capacity to one dollar.

9. It is our opinion that despite the large purchasing capacity of the reichsmark in the legal markets, the rate of exchange to be established for limited commercial purposes should be between 30 and 40 cents, possibly three reichsmarks to one U. S. dollar. This would make adequate allowance for intangibles which need not be mentioned here.

10. The British have informally advised us that they intend to propose to the Control Council in the immediate future the establishment of a reichsmark exchange rate for specific purposes such as rail transit charges. Their preliminary ideas are that the rate should be forty cents. We favor a somewhat lower rate.

11. Request that this problem be presented to State and Treasury for urgent consideration and the early transmission of their views to us. If additional data are required to enable a formulation of their conclusions, we shall make every effort to comply with such requests.

End

## CIRCULAR NUMBER 99

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER.

1 July 1946.

Intra-Theater Transfers and Safeguarding of Funds.....	I
Nonappropriated Funds.....	II
Purchase of Money Orders and Stamps.....	III
Solid Fuel in the UK.....	IV

I—INTRA-THEATER TRANSFERS AND SAFEGUARDING OF FUNDS. 1. Intra-theater transfers of funds through the accounts of disbursing officers by means of the modified spearhead deposit plan are discontinued effective midnight 30 Jun 1946. The safeguarding of funds by spearhead deposit was discontinued 2 Apr 1946.

2. Until such time as adequate commercial banking facilities may be established in occupied countries, intra-theater transmissions and safeguarding of unit, post exchange, and similar quasi-official funds will be accomplished by means of postal money orders or treasury checks issued by Army disbursing officers.

a. The use of treasury checks is subject to the following conditions and limitations:

(1) Checks will be drawn to the order of the official name of the activity (for example: Army Exchange Service, Headquarters, United States Forces, European Theater) or to the custodian of a fund (for example: Custodian, Company Fund, Company "X", ----- Infantry Regiment. They will not be drawn to the order of any individual by name.

(2) Outside the continental U. S., they may be cashed only at Army finance offices or through American military attachés.

(3) They may be deposited in an authorized bank account.

(4) They may be indorsed for legitimate purposes to another agency or instrumentality of the government, but not to an individual.

(5) They will not be used for the direct payment of bills either in the European Theater or in the United States.

b. The use of postal money orders for safeguarding and transmitting money pertaining to quasi-public funds and to official funds of nongovernmental agencies authorized to receive Army postal service is subject to the following conditions and limitations:

(1) They will be drawn as indicated in subparagraph a (1), above.

(2) Outside the continental U. S., they may be cashed only at Army post offices or Army finance offices, or through American military attachés.

(3) They may be deposited in authorized bank accounts.

(4) They may be indorsed for legitimate purposes to parties or persons inside the continental U. S.

(5) Outside the continental U. S. they may be indorsed for legitimate purposes to other U. S. government agencies or instrumentalities, to other nongovernmental agencies authorized to receive Army postal service, or to persons who carry a Currency Control Record.

c. Violators of the above control measures will be dealt with by appropriate disciplinary action.

3. The safeguarding of personal funds within the theater may be accomplished for authorized personnel by means of postal money orders, military payment orders, or commercial-type banking facilities in the U. S. occupied zone when such facilities have been instituted. In addition, the soldier's deposit method is available to enlisted personnel.

4. Military payment orders will not be issued in favor of official or quasi-official funds. The payee of a military payment order must be an authorized person. The order must be delivered directly by the disbursing officer (or his duly appointed deputy or cashier) to the payee only, either by hand or through postal channels. A payment order will not be entrusted to a third person or party for delivery, but it may be drawn by one person or party in favor of another person, provided delivery is effected in conformity with the foregoing instructions. The latter device, however, may be used only where postal money-order service is not available or when the amount involved is in excess of \$200.00.

5. Nothing in these instructions will be construed as preventing the use of treasury checks for authorized transfers of official funds between disbursing officers, or for the payment by disbursing officers of government obligations where the payee is located in the U. S. or in a foreign country where authority to make dollar payment has been applied for and granted by the Theater Fiscal Director, if otherwise proper.

6. Nongovernmental agencies operating with the armed forces of the U. S. will not be issued treasury checks, nor will they employ dollar instruments for accomplishing foreign financial transactions unless authorized in specific cases by the Theater Fiscal Director. Intra-theater transmissions of funds by such agencies may be accomplished by postal money order, subject to the provisions of paragraph 2b, above. This does not prohibit the cashing of negotiable instruments by disbursing officers or the furnishing of Army finance service to individuals employed by such agencies, to the extent authorized by War Department and theater directives. (AG 121 GAP-AGP)

II—NONAPPROPRIATED FUNDS. Par. 13c (1) (c), Cir. 81, this headquarters, 3 Jun 1946, is rescinded. (AG 123 GAP-AGP.)

III—PURCHASE OF MONEY ORDERS AND STAMPS. 1. The following measures implement the provisions of Cir 82, this headquarters, 3 Jun 1946, as far as they pertain to the purchase of postal money orders, postage stamps or stamped paper.

2. *Postal Money Orders.* a. Postal money orders will be sold only upon presentation of a currency control record with each application for purchase, except as noted in subparagraph d, below. The number of the currency control record will be entered on the face of the original and duplicate application in the upper right hand corner by the money order clerk.

b. The Army mail clerk will deduct the cost from available balance (Par 5d (3), Cir 82, this headquarters, 3 Jun 1946).

c. With money order applications totalling \$50.00 or more, the applicant will present the required proof of identification, WD AGO Identification Card, civilian identity card, identification tags, or passports.

d. Individuals not required to possess currency control records may purchase money orders only in payment for Theater Special Service Travel Tours, for which payment of postal money order has been

specifically directed. Leave or furlough order must be presented with the money order application.

3. *Postage Stamps and Stamped Paper.* a. *Restrictions on Purchase.* (1) Postage stamps and stamped paper purchased for future private use are limited to denominations not exceeding 10¢ and to lots totalling not more than \$1.00 for each purchase.

(2) Postage stamps or stamped paper purchased by individuals on behalf of agencies or organizations for future official use are limited to denominations not exceeding 10¢ but are not limited as to quantity.

(a) Postage stamps or stamped paper may be thus purchased only upon presentation to the postal authorities of a written request by the officer or other authorized person of the agency or organization who is responsible for the custody of the stamps or stamped paper belonging to such agency or organization.

(b) Agencies or organizations purchasing stamps or stamped paper under the provisions of this circular are responsible for insuring that such material is not diverted to personal use.

(3) Stamps purchased for immediate use are not limited either as to denomination or quantity, but must be affixed to the mail matter in the presence of the accepting employee when presented for mailing.

b. The use of postage stamps or stamped paper as a medium for transferring funds or for dollar export is a violation of currency control regulations and will be dealt with by appropriate disciplinary action.

(AG 122 AGM.)

By COMMAND OF GENERAL McNARNEY:

H. R. BULL,

*Major General, USA, Chief of Staff.*

OFFICIAL:

George V. W. Pope

GEORGE V. W. POPE,

*Colonel, Inf, Acting Adjutant General.*

Distribution: F

#### RATE OF EXCHANGE FOR GERMAN CURRENCY

COMGENUSFET, Frankfurt, Germany.

OMGUS, Berlin, Germany.

Number: WARX 93543.

Joint Chiefs of Staff,

W. D. Ext. 77500,

Col. C. R. Peck, Inf.

3 JULY 1946.

Book message to McNarney and Clay from Joint Chiefs of Staff.

The following, received from the State, War, and Navy Departments, is furnished for your information and guidance in reply to your CC-23313 dated 18 February 1946 and CC-4481 dated 4 May 1946:

"1. Pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the German economy rate of 10 reichsmarks per dollar must be applied to categories of transactions enumerated in paragraph 2 below and to similar transactions. You are authorized and directed to introduce in Allied Control Authority proposal to establish this rate for such transactions. This rate should not be employed in pricing merchandise exports.

"2. It is agreed that commercial exchange rate should be established for following purposes:

a. To permit purchases of reichsmarks by American and foreign business firms and individuals, government missions, et cetera, operating in Germany, in order to defray their net reichsmark expenditures incurred outside U. S. Army facilities.

b. To facilitate pricing of services sold to foreigners against foreign exchange, including rail transit charges.

c. To permit benevolent and support remittances to Germany, when and if remittance facilities are established and licenses granted.

"3. Prices of export products should continue to be quoted in foreign exchange and based on world market prices or prices in importing countries. Where such prices are impossible to establish, as in cases of specialty products, suggest as one possibility the prewar export prices be employed as basis for calculation with whatever adjustment you deem appropriate to take account of changes in prices of similar or related commodities in importing country.

"4. Your points in opposition to use of 10-to-1 rate and in favor of 3-to-1 rate:

A. Agree that internal purchasing power of reichsmark in terms official prices in general exceeds 10 cents. Expect bulk of foreign expenditures to consist of commodities and services purchased at official prices. But any resulting gain to foreigners will be comparatively small since volume transactions will presumably not be large.

B. No conclusive evidence presented that establishment reichsmark exchange rate at 10 cents would substantially diminish foreign exchange accruing to German economy as compared with higher rate such as 3 marks to dollar. Believe dollar value benevolent and support remittances would not vary appreciably with rate since remitters probably determine dollar value of remittances with little reference to reichsmark equivalent. There might be some reduction in foreign exchange proceeds in few cases where demand for reichsmarks relatively insensitive to their cost in foreign exchange such as purchased by foreign missions and businessmen in Germany of German goods and services for consumption in Germany and to lesser extent purchase of transit services in Germany. Believe however that in such cases volume foreign exchange accruing to German economy not significantly affected particularly if account taken of probability serious collection difficulties in collections might be encountered if transit services priced at 3-to-1 rate rather than 10-to-1 rate.

C. Fail to see how use of 10-to-1 rate can impair stability present German price structure so long as rate not reflected in prices of imported or exported commodities. Additional purchasing power resulting from higher reichsmark proceeds to recipients of remittances will have negligible effect on German economy.

D. Comparison prices in Germany and in United States of foods available on ration in Germany not considered sufficiently broad basis for comparison purchasing power of reichsmark and dollar. Although there is no entirely satisfactory basis for calculation purchasing power parities considerably broader range of prices and costs should be included in such calculation.

"5. Factors not taken into account under CC 4481 militating against establishment 5-to-1 commercial rate and in favor 10-to-1 rate are:

A. U. S. Government opposed as matter of general policy to employment multiple exchange rates. Establishment of 3 reichsmarks per dollar commercial rate without change in troop pay conversion rate might be so construed. Change in troop pay conversion rate would involve serious difficulties.

B. At 3-to-1 rate substantial volume of black-market transactions might be expected, especially if troop pay rate remained at 10-to-1.

"6. For your information, the U. S. Forces of Occupation in Austria has proposed to Allied Council for Austria establishment of interim general exchange rate 10 schillings per dollar.

"7. Disposition dollar proceeds of remittances and procedure for making remittances under consideration."

End

NOTE: CC-23313 is CM-IN-4425 (20 Feb 46) Germany cables; CC-4481 is CM-IN-1302 (5 May 46) Germany cables.

Originator: JC/S.

Distribution: Admiral Leahy; CG AAF; D/I; D/PO; CAD; Admiral Nimitz; Mr. Petersen; BD; C. of S.

#### CURRENCY CONTROL

6 JULY 1946.

From: CG USFET Frankfurt Germany from G-1 sgd McNarney cite ETGAP.

To: War Department for WARBUD.

Info: MTOUSA.

Nr: S 6944.

Currency Control is subject:

1. Believe that with implementation of Circular 82, this headquarters, 3 June 1946, copies of which have been furnished you, there has been achieved in this theater the maximum control obtainable without the use of a military currency together with policy of no reconversion from local money. Such achievement, however, is incidental and of relatively negative importance in light of following.

2. The provisions of the cited directive, particularly paragraph 13 thereof, were designed primarily to prepare the way for an unannounced "C day" introduction of military currency.

3. The ultimately fatal weakness of individual currency record or similar schemes is that no satisfactory compromise can be reached between maximum academic effectiveness and maximum administrative feasibility. One quality can be improved only at the expense of the other, while neither can afford the sacrifice without material impairment of the objective sought.

a. The Currency Exchange Control Book authorized by circular 139, this headquarters, 10th October 1945 leaned toward administrative feasibility. Its steadily declining efficacy was perhaps best illustrated by the analysis and disposition report of military pay for overseas theaters for the month of March 1946.

b. The Currency Control Record introduced 20 June by above cited circular 82 erred on the academic side. Not considering herein its mechanical limitations, which are obvious and basis, the records effectiveness will be in direct ratio to the administrative burden of its application, and will steadily decrease with the progressive and continuing growth of such burden occasioned by the constant losses of key personnel, intratheater movement of units, and expansion of civilian interests and activities.

c. It is estimated that within 60 to 90 days the practical effectiveness of the currency control record system will be headed toward the level of that of the old Currency Exchange Control Book.

4. The purpose of this message is to:

a. Make unmistakably clear the theaters considered opinion with respect to the inherent and serious shortcomings of a system of currency control, other than a military currency with no reconversion.

b. Emphasize the purpose behind the publication of circular 82, this headquarters, 3 June 1946.

c. Urge the introduction with the least practicable delay of the universal military currency now being considered by the War Department.

d. Request advice as to present status of proposed military currency particularly target date for introduction.

End

Action: Bd.

Info: D/PO, Servat.

#### FOREIGN CURRENCY FOR WAR SHIPPING ADMINISTRATION

FINEF Capt. R. E. Leach 6053

FINEF 123.7 EC REL/hkm

12 JULY 1946.

COMGENARMY One New York, N. Y.

COMGENARMY Two Baltimore, Md.

COMGENARMY Seven Atlanta, Ga.

COMGENARMY Four San Antonio, Tex.

COMGENARMY Five Chicago, Ill.

COMGENARMY Six San Francisco, Calif.

COMGENALASKA Ft. Richardson, Alaska.

COMGENCARIB Quarry Heights, C. Z.

COMGENSAWATO Natal, Brazil.

CINCAFPAC Tokyo, Japan.

COMGENDUSAI New Delhi, India.

COMGEN Nanking Hqs. Command, Nanking, China.

COMGENMED Caserta, Italy.

COMGENDUSAME Cairo, Egypt.

COMGENUSFET Frankfurt, Germany.

Information:

COMGENAFMIDPAC Ft. Shafter, T. H.

COMGENAFWESPAC Manila, P. I.

Number: WCL 27138.

For Fiscal Director from FINEF.

This is par. 1 for accommodation of masters or pursers of vessels operated under jurisdiction of War Shipping Admin. disbursing officers are authorized to furnish master or purser of such a vessel w/foreign currency in exchange for U. S. currency or authorized dollar instruments, or against receipt as prescribed by WD Memo no. 55-44 dtd 29 Sept. 1944. At time funds are advanced disbursing officer will furnish master or purser original statement (retaining duplicate for his files) showing:

- A. Date and place.
- B. Amount, country, kind, exchange rate, and dollar value of foreign currency furnished master or purser.
- C. Name of War Shipping Admin. vessel.
- D. Name of master or purser, signed in presence of disbursing officer making advance.
- E. Name, rank, symbol number, and organization of disbursing officer, countersigned at time advance is made.

2. disbursing officers are authorized to exchange the unexpended balance of any foreign currency, advanced as prescribed above for U. S. Treasury check drawn to order of "(Name of agent operating vessel) for acct. of War Shipping Admin.," only if such foreign currency is submitted for exchange by same master or purser before leaving area in which currency is legal tender. Transaction must be supported by (A) original statement referred to above showing acquisition of foreign currency and (B) "Request for exchange of foreign currency," WD AGO form R-5348, as prescribed by par. 13, WD Cir. no. 64 dated 5 Mar. 1946 signed by master or purser submitting unexpended balance of foreign currency for exchange. In no case shall amt. of foreign currency accepted for exchange exceed original amount furnished by an Army disbursing officer to the master or purser of vessel. When exchange has been effected disbursing officer will indorse original statement indicating thereon dollar value of foreign currency exchanged and retain such statement w/WD AGO form R-5348 for his files.

End

Originator: SERVAT-Fin.

Distribution: CG AAF (ATC); D/I (Treas); D/PC; BD; MDW; Navy (BUSANDA).

#### ANALYSIS AND DISPOSITION OF MILITARY PAY IN FOREIGN THEATERS

War Department Special Staff  
Budget Div Foreign Financial  
Br WDSBU 125 (1 August 1946)  
Lt Col Feyereisen 73289

1 August 1946.

CG USFET Frankfurt, Germany.

CG USFMTO Caserta, Italy.

COMGENUSFET and COMGENMED for action signed WARBUD.

"Analysis and disposition of military pay in foreign theaters" reports from European and Mediterranean Theaters indicate continued use of Army postal money order services as a means whereby authorized personnel are remitting unusually large amounts of money to US.

While it is recognized that above report is statistical and does not include exact figures, the indicated unusual amounts being remitted by this means might well warrant consideration that this means of remittance be discontinued until such time as military payment certificates are introduced. It is requested that theaters seriously discontinuance postal money order facilities immediately in an effort to stop to some extent the accumulation of excesses of foreign currencies during final months of present controls.

New related subject: MTO report for May indicates Treasury checks issued individuals in exchange for cash totaling approximately \$2,230,000. Approximately  $\frac{1}{2}$  this used for purchase of wine in Austria by military personnel. Were such purchases made with schillings purchased from U. S. Army authorities in Austria or were dollar instruments used? Request full details this in view of large US Army holdings in European Theater of Austrian schillings available for such expenditures.

End

Originator: Budget Division

Distribution: AAF, CAD, ID (State), P & O, Servat-FIN

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#### DISCONTINUANCE OF POSTAL MONEY ORDERS

7 August 1946.

From: Hdqs USFET, Frankfurt, Germany, sgd McNarney cite  
ETFDD.

To: War Department for WarBUD.

Info: CG MTOUSA, Caserta, Italy.

Nr: S 1351.

1. We do not feel it is necessary or desirable to discontinue postal money order remittances by authorized personnel as recommended in your WX 96300 dated 2nd August 1946. The reasons for this opinion follow:

A. While the month covered by the analysis and disposition report referred to in your cable is not indicated, it is assumed to be May, or at the latest, June during which time, except for the last ten days of the latter, the old currency exchange control book authorized by Circular 139, this headquarters, 10th October 1945 was still in use.

B. Circular 82, this headquarters, 3rd June 46, copies of which have been furnished you, introduced on 20th June the new type serially numbered and centrally registered currency control record. Paragraph 5D, Circular 82 provides for deduction of the entire amount of any dollar instrument purchased regardless of payee designated.

C. July figures just received of money order sales in the APOs serving the Frankfurt, and Berlin areas reveal substantial lessening of traffic. APO 767 in Frankfurt indicates for June sales of \$1,943,000 and for July \$1,433,000. APOs 742 and 755 (serving Berlin) disclose respectively \$508,000 for June as opposed to \$304,000 in July and \$578,840 June as compared to \$403,270 in July. This is an aggregate reduction for the three critical APOs in this theater of approximately \$890,000 during the first full month following publication of Circular 82.

D. The immediate discontinuance of postal money order remittances would have a deleterious effect on troop morale, possibly would excite severe criticism of theater administration and would shift a heavy administrative burden to the then sole remaining channel of transmission, i. e., Personal Transfer Accounts.

2. Your query regarding the alleged purchase of wine in Austria by military personnel from MTO is being referred to USFA for comment and full reply will be made when data received.

End

Action: BUD.

Info: AAF, CAD, ID (State), P&O, SERVAT.

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#### FOREIGN CURRENCY EXCHANGE CONTROL

2 AUGUST 1946.

WDSBU 125 (10 Apr 46)

Memorandum for the Secretary of War:

Thru: The Chief of Staff.

1. Attention is invited to memorandum for the Secretary of War, dated 14 June 1946 (original attached); subject: "Foreign Currency Exchange Control," wherein approval was given to:

a. An interim plan of currency exchange control in the Pacific Theater, featuring a single medium of exchange (Type "A" yen) for use within the military enclave; and the provision whereby foreign currency purchased or held by military personnel would not be reconverted into dollars or dollar instruments in the future.

b. The War Department's placing an order for the production of a suitable medium of exchange for use, under the above conditions, in the Pacific, European and Mediterranean Theaters at such time as the Pacific Theater interim plan has demonstrated its desirability.

2. The use of Type "A" yen within the military enclave was effected within the Pacific Theater on 19 July 1946, following detailed planning and arrangements.

3. The Navy Department has concurred in the interim plan for the Pacific Theater, and has agreed that Type "A" yen would be purchased with dollars from the Army for Navy purposes. U. S. dollars will, however, continue to be used on U. S. Navy ships in accordance with Naval procedures whereby no foreign currencies are used on ships for exchange purposes.

4. A design for a medium of exchange was agreed upon between representatives of the War and Treasury Departments, numbers and denominational requirements of such medium were obtained from the overseas theaters, and priorities assigned to assist in early production. A formal order was placed with the Bureau of Engraving and Printing for the medium, which has been designated the "Military Payment Certificate."

5. The first increment of the "Military Payment Certificates" will become available for shipment on or about 5 August 1946. This being the case, it is estimated that shipment to theaters and distribution therein can be effected within one month; and that a target date of 15 September 1946 can be set for the introduction of the new certificates in the Mediterranean and European Theaters. A further con-

version from Type "A" yen to the new certificates in the Pacific Theater by the end of September 1946 is believed feasible.

6. Reports received to date from the Pacific Theater indicate a successful operation on "C-Day", 19 July 1946, on which date all reasonable sums of indigenous, Type "B", or Bank of Chosen yen currency were converted into Type "A" yen for military and authorized personnel of the Armed Forces. The reaction of American military personnel to the non-reconversion feature of the plan has not resulted to date in unfavorable criticism of the Armed Forces. No mention has been made of the matter in the Congress, nor has any press reaction, either favorable or unfavorable, been noticed to date. CINCPAC states that operating experience in Japan has demonstrated that the plan is "eminently satisfactory".

7. The European and Mediterranean Theaters have requested that the new certificates be introduced at the earliest possible date. The War Department is vitally concerned with preventing the further accumulation of foreign currencies in U. S. Army accounts for which no dollars are available.

#### 8. RECOMMENDATION :

a. That a plan of currency exchange control, embodying the features of the interim plan employed in the Pacific Theater, but using Military Payment Certificates, be introduced in the European and Mediterranean Theaters.

b. That a target date of 10-20 September 1946 be approved for the introduction of the "Military Payment Certificates" within the European and Mediterranean Theaters.

c. That a target date of 20-30 September 1946 be approved for the conversion of Type "A" yen currency, presently in circulation within the Pacific Theater, into Military Payment Certificates.

GEORGE J. RICHARDS,  
Major General, GSC,

*Budget Officer for the War Department.*

1 Incl:

Memo for S/W dtd 14 June 46.

#### HEADQUARTERS CIRCULAR 82

5 AUGUST 1946.

From: CG USFET, Frankfurt, Germany, sgd McNarney.

To: USFA; USAFE; OMGUS; Cont Base Sect; Western Base: Sect; 3rd US Army Area; Berlin Dist OMGUS pls pass; Eur Div ATC; American Graves Registration Command Eur Theater Area WBS Paris pls pass; Hq Command USFET; West Africa Dist Casablanca.

Info: War Department for WAR BUD; CG MTOUSA.

Nr: S 1173.

"The subject is circular 82 this Hdqtrs, 3 June 1946. As the result of the administrative compromise requiring only that purchases of goods and services from military agencies amounting to \$5.00 or more are deductible from currency control record, and because this provision allows many purchases to be made without deduction, most records show credit balance considerably in excess of legitimate holdings.

"This discrepancy presents opportunity for making up differences with illicit funds which thereby become dollar backed at the expense of the U. S. In order to reduce to the minimum the amount of such illicit funds which otherwise may be redeemed, records will be picked up without prior warning, during periods as directed by this Hdqtrs, and the balances reduced to concur with actual holdings.

Desired that the first of this series of operation be conducted by you between date receipt this msg and 1 Sept. If possible each record so adjusted will show the entire entry in red. The description (Column 2) will be written as "adjustment". To insure full coverage, desired also you direct all Army facilities under your jurisdiction to require, commencing 1 Sept., the presentation of the currency control record before any purchase is made and to deny such purchase to any person whose record does not indicate adjustment has been completed as described.

It is further desired that frequent unannounced show down inspections be held for the purpose of confiscating unauthorized records in the possession of individuals, determining evidency of illicit entries in records or other violations or evasions of the terms of the cited circular, and taking appropriated disciplinary measures. This message unclassified after 31 August this annum.

End

Action: BUD.

Info: P&O; SSP; SERVAT.

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#### INTRODUCTION MILITARY PAYMENT CERTIFICATES

War Dept Spec Staff Bud Div  
For Fin Br WDSBU 125 (10 Apr 46)  
Col Tench 2806

7 August 1946.

CINCAFPAC, Tokyo, Japan.

CG USFET, Frankfurt, Germany.

CG USAFMTO, Caserta, Italy.

Number: WARX 96748.

Signed WARBUD.

Secretary of War has approved introduction of military payment certificates in Pacific, European, and Mediterranean Theaters. Request that Commanding General USFET designate earliest feasible date for introduction in European and Mediterranean Theaters and CINCAFPAC for introduction in Pacific; and that War Department be notified as far in advance as practicable of dates selected.

Instructions for shipment of certificates are emanating from Office Chief of Finance.

War Department circular governing use of certificates will be substantially as drafted (draft number 7) by theater fiscal representatives and War Department during conferences here in April 1946. Text of circular will be forwarded by courier mail about 15 August. Negatives of circular will be prepared here and forwarded for your reproduction. Negatives will be air-mailed from Washington to reach your theaters for "C-Day" distribution.

End

Originator:

Distribution: ID, Navy, P&A, P&O, SSP, TAG, SERVAT-Fin, SW  
(Col Exton), DCSA, CSA

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AP TOKYO DISPATCH

WARBUD Colonel C. T. Tench  
2806 WDSBU

9 AUGUST 1946.

CG USFET, Frankfurt, Germany.

CG USFMTO, Caserta, Italy.

Number: WCL 34895.

COMGENUSFET and CONGENMED for action signed WAR-BUD

There is quoted below Associated Press dispatch appearing with Tokyo date line of 8 Aug. 46.

"Title: Army turning back \$70,000,000 to Japs.

"1. The United States Army of Occupation has \$70,000,000 worth of Japanese yen on its hands but has found a way to peddle it back to the Japanese.

"2. The excess has piled up since the occupation forces, after landing a year ago, found the yen-dollar traffic a lucrative one and started sending home more dollars than they were being paid.

"3. This traffic continued briskly until the Army intervened last month. It halted such maneuvers by issuing military 'A' type yen, obtainable only with dollars. This 'A' type can be traded for Japanese yen but not vice versa. Japanese yen can be used only in transactions with Japanese.

"Fourth. The Army is getting rid of the \$70,000,000 worth of Japanese yen in this way.

"Japanese yen is used to purchase commodities or services from the Japanese. These are resold to occupation forces for a yen which provides the medium through which dollars are being returned to the United States Treasury. The purchases from the Japanese in their yen are taking care of that \$70,000,000 surplus.

Headquarters said today the excess fund would be liquidated at the rate of 30,000,000 yen (\$2,000,000) monthly. At that rate, 35 months will be required to dispose of yen accumulated in less than 12."

2. The methods devised by CINCAFPAC for the reduction of surplus yen holdings may be of interest to you in your dealing with similar problem in your theater.

End

Originator: BUD.

Distribution: CAD; P & O; PRD.

## ENCASHMENT OF PRISONER-OF-WAR PAYMENTS

311.23 CAD 72014 Mr. Hough  
Civil Affairs Division  
9 AUGUST 1946.

CG, USFA, Vienna, Austria.

## INFORMATION:

CG USFET, Frankfurt, Germany.

Number: WARX 97067.

From WDSCA ES. Reurad July P 1999 ourad July WARX 94342  
COMGENUSFET for Fiscal Director.

Rate and procedure for encashment of mil payment orders and certificates of credit issued to repatriating PW's is subject.

1. Agree that Article 23 of Geneva Convention of 1929 refers only to mil pay of PW's for which retaining power is entitled to reimbursement and that retaining power is not entitled to reimbursement for wage payments made in conformance with Article 34 of Convention. However, since Article 34 makes no provision for rate of conversion of accrued moneys due repatriated PW's fr currency of retaining power to currency of country in whose service PW's serve, provisions Article 23 as to conversion should apply.

2. Advice to War Dept. indicated that after Anschluss German Govt. pegged rate of Austrian schilling at 2/3ds that of reichsmark. Rate for reichsmark beginning of hostilities approx. 40¢, hence rate quoted ourad July WARX 94342 of 26.65¢. Appreciate that this rate will be unfavorably received by POW's, but it is felt that more severe political effects may accrue if uniform formula for rate of encashment is not used for all belligerents.

3. Do not concur with your recommendations that mil payment orders and certificates of credit be credited to Austrian National Bank as exchange control agency of Austrian Govt. It is not considered to be intention of Geneva Convention to give repatriated PW's right to retain or transfer to their Govt. currency of retaining nation. Further mil payment orders are not negotiable instruments and responsibility of War Dept. with regard thereto does not involve payment of U. S. dollars to foreign nations or foreign nationals so long as indigenous foreign currency available. Settlement for this currency will probably be on over-all basis at future date.

4. July WARX 93572, with text similar to WARX 94342, sent to USFET only.

End

P 1999 is CM IN 271 (2 Aug. 46).

Originator: CAD.

Distribution: ASW; CAD (State); P & A; P & O; SERVAT; BUD;  
SWNCC.

## SHIPS SAILING TO BREMERHAVEN

13 AUGUST 46.

From: 17 Major Port.

To for action: USFET, NYPE.

Ref. No.: 7492

Recommend instructions be issued to proper authorities on each ship sailing for BREMERHAVEN, requiring that all American money in the hands of all personnel be collected prior to arrival. Finance personnel will board ship to exchange marks for dollars in bulk for ship's purser for permanent ship's personnel and for agent officers for company size groups of passengers. Letter follows.

Action: TC.

Information: AG; G-1; Fiscal; SGS; AG Records; G-1.

## MILITARY PAYMENT CERTIFICATE PLAN

CG, USFET, Frankfurt, Germany.

CG, USFMTO, Caserta, Italy.

Nr: WARX 97698.

War Department Special Staff  
Budget Division  
Foreign Financial Branch  
WDSBU 125 (10 Apr 46)  
Col. Teneh 2806

15 AUGUST 1946.

COMGENUSFET and COMGENMED for action signed WARBUD.

Salient feature of military payment certificate plan as now set up is that it exercises a complete block against conversion of indigenous currencies of countries in which plan is in operation; while at the same time providing to the soldier a medium of payment and daily use which may be converted to dollars on his departure from overseas.

Treasury Department has now evidenced concern lest individuals, using blocked indigenous currency of countries where plan operates, will procure convertible currency of countries where plan does not operate; and exchange such convertible currency for dollars.

To prevent this leak, the adoption of one of two alternatives has been suggested: Either

(A) The extension of the military payment certificate plan to all countries in your theaters where United States Troops receive pay in indigenous currency; or

(B) A prohibition against redemption of the currencies of certain or all of the countries within your theaters, even though introduction of military payment certificate plan might not be deemed necessary in countries in question. Possibility of utilization by military personnel of local banking facilities for conversion of foreign currency into United States dollars should be explored, particularly in countries where only relatively few military personnel are stationed.

War Department will be greatly aided by your comments on these proposals by urgent radio. Request listing of affected countries by name in either case.

End

Originator: BUD.

Distribution: AAF, ID, Navy, P&A, P&O, SSP, TAG, SERVAT-Fin  
SW (Col. Exton), DCSA, CSA.

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TREASURY DEPARTMENT CONCERN

23 AUGUST 1916.

From: Hqs, USFET, Frankfurt, Germany, sgd McNarney, cite  
ETFD.

To: War Department for WARBUD.

Info: CG, MFOUSA, Caserta, Italy.

Nr: S-2511.

1. This replies your radios WX 97698 and W 97697 both 16th August.

2. Following answers Paragraphs 2 and 3, WX 97698: Source of Treasury Department concern is not understood in view of your radio WX 96748, 7th August indicating that War Department circular on use of payment certificates will be substantially as drafted during Washington Conference in April 1916. Primary position assumed by that Conference was that conversion from military payment certificates to foreign currencies would be strictly at the option of individuals previously paid in such certificates with no reconversion privilege from foreign currencies back to military payment certificates or other form of US dollars. Theater plan already in advanced stage of development carries through this purpose. Theater circular will caution theater individuals that after adoption of certificate plan conversions to any local foreign currency should be confined by themselves to minimum essential personal needs, the US Army assuming no obligation to permit recoupment of dollars in any form for excess local currencies remaining in their personal possession.

3. Relative to extent of use of payment certificates in this Theater and contiguous countries Theater plan contemplates their use wherever pay service is rendered by military disbursing officers and their agents, as distinguished from Military Attachés or disbursing units operating primarily under their jurisdiction. It is assumed that in countries where US Army maintains nominal personnel quota and finance service is provided by Military Attachés or finance units under their jurisdiction the currency control function will rest with Military Attachés concerned. At the proper time this Theater will request your office to coordinate with Director of Intelligence, War Department, on currency control procedures to be effective in such countries. As concerns traveling Theater personnel in this respect, exchange of payment certificates in possession of Theater personnel to currencies of Military Attaché countries will be, as pointed out in Para 2 above, at the option of the traveling individual under the limitations indicated. In the Military Attaché country it will be travelers privilege to apply for and to receive for payment certificates additional local currency from Military Attaché disbursing facilities, which local currency should be advanced with identical limitation applying to personnel in Theater proper, namely, no conversion back

to payment certificates or dollars, or to any form of local or other foreign currency in the possession of military disbursing officers of any category.

4. The thinking of this Theater with respect to personnel permanently stationed in Military Attaché countries is that use or nonuse of payment certificates should be at the discretion of Military Attaché. However, if payment certificates are used for pay purposes, payees would have the same privilege of optional conversion to local currency, and should be under the identical limitation with respect to reconversion back to dollar instruments, as personnel in this Theater proper. On the other hand, if discretion of Military Attaché counsels nonuse of military payment certificate in country to which accredited this Theater feels, and will so advise in good time, that War Department should direct him to maintain controls of such a character as will assure that personnel initially paid in local currency shall in no case be allowed exchange to dollar instruments or to any other foreign currencies in the possession of US disbursing facilities in excess of net pay paid to them less reasonable evaluation of local living costs.

5. Matter in preceding three paragraphs is offered in principal part as replies to your alternatives (A) and (B). The included tentative details relative personnel permanently stationed in Military Attaché countries and therefore outside the jurisdiction of this Theater will shortly be presented in more formal manner. Reference final sentence, your Paragraph 3, relating to possible use by Military personnel of local banking facilities for conversion of foreign currency into US dollars reason for your concern is not entirely clear. Discussion in preceding paragraphs, this text, illustrates firm intent of this Theater to foreclose US Army disbursing facilities to conversion of foreign currencies to US dollars and outlines suggested controls applicable to authorized personnel permanently stationed in Military Attaché countries. It is not understood why the Army should preoccupy itself with possible escape of foreign currency holdings of authorized personnel to dollars through agency of local foreign banks. Dollar position of US disbursing facilities would not be impaired thereby. Such maneuvers would merely deplete dollars assets of the bank concerned and the damage, if any, would be sustained by such bank. It is doubted that foreign banks will allow dollars exchange export against their own interests.

6. With specific reference your final paragraph, W 97697, the following are countries where payment certificates will be operative on and after "C" Day: Great Britain (England), France, Belgium, Luxembourg, Holland, Switzerland, Italy, Germany, Austria, Yugoslavia (Trieste), Denmark, North Africa (West African District), and any other area or region provided finance service by military or naval disbursing officers, except those attaché countries which are clearly outside the Command, Administrative, or Logistical responsibility this Theater.

New related subject:

Subsequent to the introduction of military payment certificates in this Theater, there will be occasion in the case of other countries using a military currency system similar to ours and with whom we have reciprocal exchange agreements (such as, at this time, Great Britain), for the reconversion of the indigenous currency of such

countries to dollar instruments either directly or indirectly. Example:

A person returning from leave in England with several pounds in his possession may exchange such pounds at British Paymaster for US military payment certificates in hands of such Paymaster pursuant to above cited reciprocal agreement, or for British script, which in turn can be exchanged for military payment certificates at US Army disbursing offices. Not considered above in any way changes general policy of no reconversion since no loss to the US Treasury is incurred and balances of such foreign currencies in hands of US disbursing officers are controlled. Further considered it is neither necessary nor desirable for such information to appear in War Department of Theater circulars governing use of military payment certificates.

Additional related subject:

This Headquarters has been informally advised that France intends to adopt soon after 1st October 1946 a system of military currency similar to ours and that of the British. It is anticipated that reciprocal exchange agreement of the type now in effect with Great Britain will also be concluded with the French at that time.

Second additoinal related subject:

Reference Theater no reconversion policy cited in Para 2 above and reference ultimate sentence Para 11, Section 4, Part 2, War Department Circular text, we reserve right to amend such Theater policy, after reasonable period application thereof, to provide for reconversion of foreign currencies, other than those referred to in related subjects above, in exceptional individual cases under controlled conditions to alleviate personal hardship or iniquity.

Action: BUD.

End

Info: AAF, ID, Navy, P&A, P&O, SSP, TAG, SERVAT.  
CM-IN-5257 (23 Aug 46) DTG 231600B 1s

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DRAFT OF WAR DEPARTMENT CIRCULAR ON MILITARY PAYMENT  
CERTIFICATES

WDSBU 125 (1 August 46).

16 AUGUST 1946.

TO: Commanding General, United States Forces, European Theater,  
Main, A. P. O. 757, c/o Postmaster, New York, New York.

1. There is forwarded herewith draft of War Department Circular which will govern the use of Military Payment Certificates in your theater. While the circular, as finally published, may differ in minor respects to the attached draft, the instruction therein may be regarded as sufficiently firm to serve as the basis of your plan for the introduction of the Certificates.

2. Negatives of the circular will be prepared by The Adjutant General, and will be airmailed from Washington on or about 25 August.

GEORGE J. RICHARDS,  
*Major General, GSC,*  
*Budget Officer for the War Department.*

Incl.

Drf. of War Dept. Cir.

## Final Draft

## PROPOSED WAR DEPARTMENT CIRCULAR

## MILITARY PAYMENT CERTIFICATES

Part I. Regulation of the Secretary of War under Section 3 of the Act of December 23, 1944 (58 Stat. 921).

Part II. Foreign Currency exchange control in certain areas outside the continental limits of the United States.

PART I. REGULATIONS OF THE SECRETARY OF WAR UNDER SECTION 3 OF THE ACT OF DECEMBER 23, 1944 (58 STAT. 921)

By virtue of and pursuant to the authority vested in the Secretary of War by section 3 of the Act of December 23, 1944 (58 Stat. 921), and by virtue of all other authority vested in the Secretary of War, the following is directed by the Secretary of War:

(1) *Use of Military Payment Certificates.* In such areas as the War Department designates, disbursing officers of the United States Army and their agents are authorized to disburse military payment certificates for pay and allowances of authorized personnel, and for all other authorized payments to individuals in and under the military establishment, as set forth in Part II, below.

(2) *Convertibility of Military Payment Certificates.* Disbursing officers of the United States Army and their agents are authorized to exchange dollar instruments for military payment certificates, or military payment certificates for dollar instruments, for persons authorized to be in possession of military payment certificates, as set forth in Part II, below.

(3) *Transactions between United States Disbursing Officers.* Disbursing officers of the United States Army and their agents are authorized to exchange dollar instruments for military payment certificates, or military payment certificates for dollar instruments, in transactions with disbursing officers of the United States Navy and their agents; and with such other disbursing officers of the United States Government and their agents as may be authorized specifically by theater commanders.

(4) *Applicability of Regulations.* As of the date on which the War Department introduces the use of military payment certificates in any area, transactions in the indigenous currencies of such areas, and in any other currencies which may later be designated, will be subject to the regulations specified below.

(5) *Prohibition on the Acquisition of Certain Foreign Currencies.* Disbursing officers of the United States Army and their agents, wherever stationed, will no longer acquire indigenous currencies of the areas in which military payment certificates are in use, and any other currencies which may later be designated, from the following sources:

- (a) United States Army postal officers and their agents.
- (b) Officers and crews of vessels operating for or on behalf of War Shipping Administration.
- (c) Members of the United States Coast Guard.
- (d) Military, naval, and civilian personnel of the United States Government who are not disbursing officers of the United States Government or their agents.

(e) Representatives of quasi-official organizations operating with or for the benefit of the members of the United States Armed Forces.

(f) Personnel of contractors and of authorized non-governmental agencies operating with the Armed Forces of the United States.

(5) *Sale of Foreign Currencies.* Disbursing officers of the United States Army or their agents, wherever stationed, are authorized to sell foreign currencies, including indigenous currencies of areas in which military payment certificates are in use, and any other designated currencies, for military payment certificates and/or for United States dollar instruments, to military and naval personnel of the United States Government; and to employees of government and non-government agencies as specifically authorized by the theater commander.

PART II—FOREIGN CURRENCY EXCHANGE CONTROL IN CERTAIN AREAS  
OUTSIDE THE CONTINENTAL LIMITS OF THE UNITED STATES

	Paragraphs
Section I. General .....	1-3
II. Definitions .....	4-8
III. Payment of personnel in and under the military establishments in certain overseas areas .....	9-10
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V. Conversion of dollar instruments .....	15-17
VI. Rescission of previous regulations .....	18

I. GENERAL. 1. *General.* a. With the consolidation of military establishments overseas into occupation forces concentrated in well defined areas, it is appropriate to establish a permanent phase of foreign currency exchange control, applicable on a uniform basis wherever necessary.

b. The procedure outlined in this circular constitutes a natural sequel to general control practices already in operation in affected areas during the combat and redeployment phases.

2. *Purpose of circular.*—The purpose of this circular is to:

a. Promulgate necessary regulations and instructions on the use of a limited negotiable instrument, instituted to strengthen foreign currency exchange controls, and not covered in previous War Department Circulars and instructions.

b. Set forth permanent War Department policies of foreign currency exchange controls.

c. Indicate the responsibilities of affected theater commanders for the implementation of such policies by the issuance of appropriate supplemental regulations within their respective areas of command.

d. Amend certain general and technical regulations and instructions on foreign currency exchange control in certain areas, already set forth in WD Circular 64, 1946, and subsequent amendment or revisions thereof.

3. *Purpose of controls.*—Foreign currency exchange controls contained herein are designed:

a. To continue to protect the interests of the United States Government by preventing the accumulation of foreign currencies in the accounts of disbursing officers in excess of the amounts needed by them for disbursements and other official financial transactions in and under the military establishment.

b. To protect authorized personnel in the handling of their funds derived from or through official sources.

c. To enable commanders to establish and maintain effective control of United States, foreign, and/or special currencies within their commands.

d. To prevent transactions detrimental to the best interests of the United States Government, or the affected foreign government.

e. To restrict the use, within the military establishment in foreign areas, of United States and/or any other currency not legal tender in the area concerned, except where such currency is expressly authorized by the War Department as a common medium of exchange for special or general military purposes.

II. DEFINITIONS. 4. *Types of personnel*.—Personnel who fall within the purview of this circular (hereinafter referred to as U. S. authorized personnel) and who may utilize Military Payment Certificates and dollar instruments defined herein, subject to limitations prescribed in paragraph 8, are:

a. Military and naval personnel of the United States Government.

b. Civilians, who are citizens of the United States, employed directly, or indirectly through contractors, by the military and naval establishments.

c. Civilians, who are citizens of the United States, employed directly by the United States Government, when authorized by the theater commander under the provisions of paragraph 8 below.

d. Dependents of personnel included in subparagraphs a, b, and c above, but subject to the limitations set forth in paragraph 8 below.

e. Civilians, other than those who are citizens of the country whose currency is legal tender in the area, directly employed by the military and naval establishments, when authorized by the theater commander under the provisions of paragraph 8 below.

f. Civilians, other than those who are citizens of the country whose currency is legal tender in the area, who are employed by quasi-official organizations in and/or under the military and naval establishments *and working for the benefit of the members of the armed forces of the United States*, when authorized by the theater commander under the provisions of paragraph 8 below. (Examples are the Army Exchange Service and its Post Exchanges; United Service Organizations; American Red Cross Clubs and facilities; unit clubs; enlisted men's and officers' clubs and messes; and the Central Welfare Fund of any given theater.)

g. Personnel attached to the headquarters of any U. S. military or naval unit, who, in the opinion of the theater commander, can best perform their mission by having access to U. S. Army Facilities, when specifically authorized by the theater commander under the provisions of paragraph 8 below.

h. Enemy nationals are specifically excluded from those listed in subparagraphs e, f, and g above.

5. *Military Payment Certificate*.—a. The Military Payment Certificate is defined as an instrument, denominated in United States dollars or fractions thereof which is the official medium of exchange in all military establishments in areas designated by the War Department.

b. Military Payment Certificates will be issued in denominations of 5¢, 10¢, 25¢, 50¢, \$1, \$5, and \$10.

6. *U. S. Military Disbursing Officers Payment Order*.—The U. S. military disbursing officers payment order (hereinafter called Military Payment Order) is defined in Section IV, WD Circular 159, 1945.

7. *U. S. dollar instruments*.—U. S. dollar instruments are defined as follows:

a. U. S. dollar currency is the currency or coin accepted as legal tender in the United States.

b. U. S. Treasury checks are the standard dollar checks drawn on the Treasurer of the United States by authorized disbursing officers of the United States.

c. Traveler's checks are those issued by the American Express Company, the Bank of America National Trust and Savings Association, the Mellon National Bank of Pittsburgh, and the National City Bank of New York, which are normally cashable by disbursing officers in accordance with the provisions of paragraph 4*d* (1), WD Circular 64, 1946.

d. United States Military Disbursing Officers Payment Order.

e. United States Postal Money Orders and American Express Company Money Orders.

8. *Limitations*. a. The theater commander will be responsible for the determination of those individuals to which the provisions of this circular will apply within the limits of paragraph 4 above.

b. The military payment certificate is for use only in U. S. military establishments by U. S. authorized personnel, in accordance with applicable rules and regulations.

c. Possession of Military Payment Certificates is prohibited unless acquired pursuant to the regulations contained in this circular, and such additional restrictions as may be promulgated by the appropriate theater commander.

d. Under no circumstances will Military Payment Certificates be accepted from or exchanged for persons other than U. S. authorized personnel, or exchanged after the date designated by the Secretary of War for their acceptance or exchange.

e. Except in areas where U. S. currency is authorized for disbursement, and except as provided in Section V, paragraph 15 below, the use or possession of U. S. currency is prohibited in foreign countries to which this circular is applicable.

f. Dependents, as defined in paragraph 4*d* above, are limited, in transactions with U. S. Army disbursing officers or their authorized agents, to the exchange of military payment certificates, or any type of authorized U. S. dollar instruments, for military payment certificates or for foreign currency, subject to the provisions of paragraph 15*b* as to U. S. currency and coin. Use of military payment orders by dependents will be limited to the cashing of one military payment order not in excess of \$200 for dependents overseas requiring funds for incidental traveling expenses in connection with War Department authorized transportation to the U. S.

g. The disbursement of Military Payment Certificates to U. S. authorized personnel referred to in paragraph 4, subparagraphs *e*, *f*, and *g* is limited to the amount thereof determined by the theater commander to be necessary for their expenditure in the military establishment for subsistence and other necessities. They are not authorized to acquire or possess dollar instruments.

**III. PAYMENT OF PERSONNEL AND DEPENDENTS IN AND UNDER THE MILITARY ESTABLISHMENTS IN CERTAIN OVERSEAS AREAS.** 9. *Medium of disbursement.*—*a.* Disbursements specified in paragraph 10 below to U. S. authorized personnel defined in paragraph 4 shall be made in Military Payment Certificates; provided, however, that disbursements may be made in United States currency when specifically authorized by the War Department.

10. *Type of disbursements.*—Disbursements falling within the purview of this circular are:

- a.* Regular monthly pay and allowances.
- b.* Partial payments.
- c.* Per diems and/or reimbursement of expenses incident to official travel.
- d.* Station and/or living allowances, where authorized.
- e.* Class F allotments.
- f.* All other authorized payments to individuals in and under the military establishments.

**IV. CONVERSION OF MILITARY PAYMENT CERTIFICATES AND FOREIGN CURRENCIES.** 11. *Finance Officers.*—*a.* United States Army disbursing officers and their agents will convert Military Payment Certificates, and/or U. S. dollar instruments, into authorized foreign currency for the accommodation of U. S. authorized personnel designated in paragraph 4.

*b.* United States Army disbursing officers or their agents will not convert any indigenous currency and/or coin of the areas in which Military Payment Certificates are in use, nor the currency or coin of such other areas as may from time to time be designated, into Military Payment Certificates, dollar instrument, or any other instrument denominated in dollars; nor will they exchange one foreign currency for another foreign currency, for the accommodation of U. S. authorized personnel designated in paragraph 4, except by specific authority of The Secretary of War.

12. *Postal officers.*—*a.* United States Army Postal Officers or their agents will, in accordance with regulations of the United States Post Office Department, issue or cash U. S. Postal Money Orders and sell stamps in exchange for Military Payments Certificates.

*b.* United States Army Postal Officers or their agents will effect no transactions in indigenous currency and/or coin of the areas in which Military Payment Certificates are in use, nor in the currency or coin of such other areas as may from time to time be designated.

13. *Other Army facilities.*—*a.* No indigenous currency or coin of the areas in which Military Payment Certificates are in use, nor the currency or coin of such other areas as may from time to time be designated, will be accepted, or allowed to be accepted, as a medium of exchange in any of the facilities listed in paragraph 17 below, in payment for goods sold or services rendered in such facilities. Acceptance of United States currency and coin in such facilities will be limited exclusively to those areas in which individuals in and under the military establishment are paid in United States currency.

*b.* Revenue passengers of the Air Transport Command may purchase meals at ATC "snack bars" and transient messes only with dollar instruments or Military Payment Certificates, if authorized to possess the latter.

14. *Departure from overseas theater.*—Disbursing officers, postal officers, or their agents will not convert any foreign currency or coin, except foreign currency or coin especially authorized by the War Department, into any other foreign currency or coin, Military Payment Certificates, or any U. S. dollar currency or instruments for personnel leaving the theater.

V. CONVERSION OF DOLLAR INSTRUMENTS. 15. *Conversion of Military Payment Certificates into dollar instruments or into foreign currency.*—Under the conditions set forth below, U. S. authorized personnel may exchange, for the following dollar instruments or foreign currencies, Military Payment Certificates, in amounts legitimately in their possessions:

a. *Authorized foreign currency:* At any Army and Navy disbursing office and agents thereof, if eligible to possess such currency under existing regulations.

b. *U. S. dollar currency or coin:*

(1) Upon departure for the United States.

(2) Upon departure for or arrival in areas where U. S. dollar currency has been determined by the War Department to be the only type of dollar instrument practicable, consistent with local foreign exchange control regulations.

c. *U. S. Treasury checks:* When traveling under competent orders to any areas in which U. S. Army disbursing officers and class B agent officers and Military Attaché disbursing officers are not readily available.

d. *U. S. Postal Money Orders:* Issued in accordance with regulations of the United States Post Office Department, by U. S. Army Postal Officers or their agents.

e. *U. S. Saving Bonds.*

f. *Personal transfers to U. S.*

g. *Soldiers' deposits.*

h. *Military Payment Orders.*

16. *Conversion of dollar instruments into Military Payment Certificates.*—Personnel falling under the provisions of paragraph 4 may exchange the following types of dollar instruments, only if acquired and held in accordance with existing regulations, into Military Payment Certificates:

a. *U. S. Postal and American Express Company Money Orders.*

b. *U. S. Treasury checks.*

c. *U. S. Dollar Travelers' Checks.*

d. *U. S. Dollar Currency and/or coin.*

e. *Military Payment Orders.*

17. *Use of Military Payment Certificates.*—In areas in which Military Payment Certificates are in use, such are the only authorized medium of exchange in:

a. All U. S. Army and Navy Sales and Services installations and activities.

b. Theater, moving picture and other entertainment facilities, operated by the military establishment.

c. Officers' and enlisted men's messes and clubs, including American Red Cross installations.

d. Contributions for all eleemosynary purposes including all authorized charitable appeals, church collections and Chaplain's funds,

wherever ultimate remittance to the United States through U. S. Army channels is involved.

e. Payments to all travel agencies, radio, cable, telegraph, and telephone companies, and all other facilities of similar types, wherever ultimate remittance to the United States through U. S. Army channels is involved.

f. Sale of stamps and other postal services at U. S. Army and Navy postal installations.

**VI. RESCISSION OF PREVIOUS REGULATIONS.** 18. This circular supersedes paragraph 2b, Section IV, WD Circular 159, 1945, and those portions of WD Circular 64, 1946, and TM 14-508, which are in conflict herewith.

Cir 256

CIRCULAR  
No. 256

WAR DEPARTMENT,  
Washington 25, D. C., 23 August 1946.

Effective until 23 February 1948 unless sooner rescinded or superseded

#### MILITARY PAYMENT CERTIFICATES

#### *Part I. Regulations of the Secretary of War under Section 3, Act of December 23, 1944 (58 Stat. 921)*

By virtue of and pursuant to the authority vested in the Secretary of War by section 3 of the Act of December 23, 1944 (58 Stat. 921), and by virtue of all other authority vested in the Secretary of War, the following is directed by the Secretary of War:

1. **USE OF MILITARY PAYMENT CERTIFICATES.** In such areas as the War Department designates, disbursing officers of the United States Army and their agents are authorized to disburse military payment certificates for pay and allowances of authorized personnel, and for all other authorized payments to individuals in and under the Military Establishment, as set forth in part II below.

2. **CONVERTABILITY OF MILITARY PAYMENT CERTIFICATES.** Disbursing officers of the United States Army and their agents are authorized to exchange dollar instruments for military payment certificates, or military payment certificates for dollar instruments, for persons authorized to be in possession of military payment certificates, as set forth in part II below.

3. **TRANSACTIONS BETWEEN UNITED STATES DISBURSING OFFICERS.** Disbursing officers of the United States Army and their agents are authorized to exchange dollar instruments for military payment certificates, or military payment certificates for dollar instruments, in transactions with disbursing officers of the United States Navy and their agents; and with such other disbursing officers of the United States Government and their agents as may be authorized specifically by theater commanders.

4. **APPLICABILITY OF REGULATIONS.** As of the date on which the War Department introduces the use of military payment certificates in any area, transactions in the indigenous currencies of such areas, and in any other currencies which may later be designated, will be subject to the regulations specified below.

5. **PROHIBITION ON THE ACQUISITION OF CERTAIN FOREIGN CURRENCIES.** Disbursing officers of the United States Army and their agents, wherever stationed, will no longer acquire indigenous currencies of the areas in which military payment certificates are in use, and any other currencies which may later be designated, from the following sources:

- a. United States Army postal officers and their agents.
- b. Officers and crews of vessels operating for or on behalf of War Shipping Administration.
- c. Members of the United States Coast Guard.
- d. Military, naval, and civilian personnel of the United States Government who are not disbursing officers of the United States Government or their agents.
- e. Representatives of quasi-official organizations operating with or for the benefit of the members of the United States Armed Forces.
- f. Personnel of contractors and of authorized nongovernmental agencies operating with the Armed Forces of the United States.

6. **SALE OF FOREIGN CURRENCIES.** Disbursing officers of the United States Army or their agents, wherever stationed, are authorized to sell foreign currencies, including indigenous currencies of areas in which military payment certificates are in use, and any other designated currencies, for military payment certificates and/or for United States dollar instruments, to military and naval personnel of the United States Government; and to employees of Government and non-Government agencies as specifically authorized by the theater commander.

*Part. II. Foreign currency exchange control in certain areas outside continental limits of United States*

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I. **GENERAL.** 1. *General.* a. With the consolidation of military establishments overseas into occupation forces concentrated in well-defined areas, it is appropriate to establish a permanent phase of foreign currency exchange control applicable on a uniform basis wherever necessary.

b. The procedure outlined in this circular constitutes a natural sequel to general control practices already in operation in affected areas during the combat and redeployment phases.

2. *Purpose of circular.* The purpose of this circular is to—

a. Promulgate necessary regulations and instructions on the use of a limited negotiable instrument, instituted to strengthen foreign currency exchange controls, and not covered in previous War Department Circulars and instructions.

b. Set forth permanent War Department policies of foreign currency exchange controls.

c. Indicate the responsibilities of affected theater commanders for the implementation of such policies by the issuance of appropriate supplemental regulations within their respective areas of command.

d. Amend certain general and technical regulations and instructions on foreign currency exchange control in certain areas, already set forth in WD Circular 64, 1946, as amended.

3. *Purpose of Controls.* Foreign currency exchange controls contained herein are designed to—

a. Continue to protect the interests of the United States Government by preventing the accumulation of foreign currencies in the accounts of disbursing officers in excess of the amounts needed by them for disbursements and other official financial transactions in and under the military establishment.

b. Protect authorized personnel in the handling of their funds derived from or through official sources.

c. Enable commanders to establish and maintain effective control of United States, foreign, and/or special currencies within their commands.

d. Prevent transactions detrimental to the best interests of the United States Government, or the affected foreign government.

e. Restrict the use, within the military establishment in foreign areas, of United States and/or any other currency not legal tender in the area concerned, except where such currency is expressly authorized by the War Department as a common medium of exchange for special or general military purposes.

II. DEFINITIONS. 4. *Types of personnel.* a. Personnel who fall within the purview of this circular (hereinafter referred to as U. S. authorized personnel) and who may utilize military payment certificates and dollar instruments defined herein, subject to limitations prescribed in paragraph 8, are—

(1) Military and naval personnel of the United States Government.

(2) Civilians, who are citizens of the United States, employed directly, or indirectly through contractors, by the military and naval establishments.

(3) Civilians, who are citizens of the United States, employed directly by the United States Government, when authorized by the theater commander under the provisions of paragraph 8.

(4) Dependents of personnel included in (1), (2), and (3) above, but subject to the limitations set forth in paragraph 8.

(5) Civilians, other than those who are citizens of the country whose currency is legal tender in the area, directly employed by the military and naval establishments, when authorized by the theater commander under the provisions of paragraph 8.

(6) Civilians, other than those who are citizens of the country whose currency is legal tender in the area, who are employed by quasi-official organizations in and/or under the military and naval establishment and working for the benefit of the members of the Armed Forces of the United States, when authorized by the theater commander under the provisions of paragraph 8. Examples are the Army Exchange Service and its exchanges; United Service Organizations; American Red Cross Clubs and facilities; unit clubs; enlisted men's and officers' clubs and messes; and the Central Welfare Fund of any given theater.

(7) Personnel attached to the headquarters of any U. S. military or naval unit, who, in the opinion of the theater commander, can best perform their mission by having access to U. S. Army facilities, when specifically authorized by the theater commander under the provisions of paragraph 8.

b. Enemy nationals are specifically excluded from those listed in a (5), (6), and (7) above.

5. *Military payment certificate.* a. The military payment certificate is defined as an instrument, denominated in United States dollars or fractions thereof, which is the official medium of exchange in all military establishments in areas designated by the War Department.

b. Military payment certificates will be issued in denominations of 5 cents, 10 cents, 25 cents, 50 cents, \$1, \$5, and \$10.

6. *U. S. military disbursing officers payment order.* The U. S. military disbursing officers payment order (hereinafter called military payment order) is defined in section IV, WD Circular 159, 1945.

7. *U. S. dollar instruments.* U. S. dollar instruments are defined as follows:

a. U. S. dollar currency is the currency or coin accepted as legal tender in the United States.

b. U. S. Treasury checks are the standard dollar checks drawn on the Treasurer of the United States by authorized disbursing officers of the United States.

c. Traveler's checks are those issued by the American Express Company, the Bank of America National Trust and Savings Association, the Mellon National Bank of Pittsburgh, and the National City Bank of New York, which are normally cashable by disbursing officers in accordance with the provisions of paragraph 4d (1), WD Circular 64, 1946.

d. United States military disbursing officers payment order.

e. United States postal money orders and American Express Company money orders.

8. *Limitations.* a. The theater commander will be responsible for the determination of those individuals to which the provisions of this circular will apply within the limits of paragraph 4.

b. The military payment certificate is for use only in U. S. military establishments by U. S. authorized personnel, in accordance with applicable rules and regulations.

c. Possession of military payment certificates is prohibited unless acquired pursuant to the regulations contained in this circular, and such additional restrictions as may be promulgated by the appropriate theater commander.

d. Under no circumstances will military payment certificates be accepted from or exchanged for persons other than U. S. authorized personnel, or exchanged after the date designated by the Secretary of War for their acceptance or exchange.

e. Except in areas where U. S. currency is authorized for disbursement, and except as provided in paragraph 15, the use or possession of U. S. currency is prohibited in foreign countries to which this circular is applicable.

f. Dependents, as defined in paragraph 4a (4), are limited, in transactions with U. S. Army disbursing officers or their authorized agents, to the exchange of military payment certificates, or any type of authorized U. S. dollar instruments, for military payment certificates or for

foreign currency, subject to the provisions of paragraph 15*b* as to U. S. currency and coin. Use of military payment orders by dependents will be limited to the cashing of one military payment order not in excess of \$200 for dependents overseas requiring funds for incidental traveling expenses in connection with War Department authorized transportation to the U. S.

g. The disbursement of military payment certificates to U. S. authorized personnel referred to in paragraph 4*a* (5), (6), and (7) is limited to the amount thereof determined by the theater commander to be necessary for their expenditure in the military establishment for subsistence and for other necessities. They are not authorized to acquire or possess dollar instruments.

III. PAYMENT OF PERSONNEL AND DEPENDENTS IN AND UNDER THE MILITARY ESTABLISHMENTS IN CERTAIN OVERSEA AREAS. 9. *Medium of Disbursement.* Disbursements specified in paragraph 10 to U. S. authorized personnel defined in paragraph 4 shall be made in military payment certificates; provided, however, that disbursements may be made in United States currency when specifically authorized by the War Department.

10. *Type of Disbursements.* Disbursements falling within the purview of this circular are—

- a. Regular monthly pay and allowances.
- b. Partial payments.
- c. Per diems and/or reimbursement of expenses incident to official travel.
- d. Station and/or living allowances, where authorized.
- e. Class F allotments.
- f. All other authorized payments to individuals in and under the military establishments.

IV. CONVERSION OF MILITARY PAYMENT CERTIFICATES AND FOREIGN CURRENCIES. 11. *Finance Officers.* a. United States Army disbursing officers and their agents will convert military payment certificates and/or U. S. dollar instruments into authorized foreign currency for the accommodation of U. S. authorized personnel designated in paragraph 4.

b. United States Army disbursing officers or their agents will not convert any indigenous currency and/or coin of the areas in which military payment certificates are in use, nor the currency or coin of such other areas as may from time to time be designated, into military payment certificates, dollar instrument, or any other instrument denominated in dollars; nor will they exchange one foreign currency for another foreign currency for the accommodation of U. S. authorized personnel designated in paragraph 4, except by specific authority of the Secretary of War.

12. *Postal Officers.* a. United States Army postal officers or their agents will, in accordance with regulations of the United States Post Office Department, issue or cash U. S. Postal money orders and sell stamps in exchange for military payment certificates.

b. United States Army postal officers or their agents will effect no transactions in indigenous currency and/or coin of the areas in which military payment certificates are in use, nor in the currency or coin of such other areas as may from time to time be designated.

13. *Other Army Facilities.* a. No indigenous currency or coin of the areas in which military payment certificates are in use, nor the

currency or coin of such other areas as may from time to time be designated, will be accepted, or allowed to be accepted, as a medium of exchange in any of the facilities listed in paragraph 17, in payment for goods sold or services rendered in such facilities. Acceptance of United States currency and coin in such facilities will be limited exclusively to those areas in which individuals in and under the military establishment are paid in United States currency.

b. Revenue passengers of the Air Transport Command may purchase meals at ATC "snack bars" and transient messes only with dollar instruments or military payment certificates, if authorized to possess the latter.

14. *Departure From Oversea Theater.* Disbursing officers, postal officers, or their agents will not convert any foreign currency or coin, except foreign currency or coin especially authorized by the War Department, into any other foreign currency or coin, military payment certificates, or any U. S. dollar currency or instruments for personnel leaving the theater.

V. CONVERSION OF DOLLAR INSTRUMENTS. 15. *Conversion of military payment certificates into dollar instruments or into foreign currency.* Under the conditions set forth below, U. S. authorized personnel may exchange, for the following dollar instruments or foreign currencies, military payment certificates, in amounts legitimately in their possessions:

a. *Authorized foreign currency.* At any Army and Navy disbursing office and agent offices thereof, if eligible to possess such currency under existing regulations.

b. *U. S. dollar currency or coin.*

(1) Upon departure for the United States.

(2) Upon departure for or arrival in areas where U. S. dollar currency has been determined by the War Department to be the only type of dollar instrument practicable, consistent with local foreign exchange control regulations.

c. *U. S. Treasury checks.* When traveling under competent orders to any areas in which U. S. Army disbursing officers and class B agent officers and military attaché disbursing officers are not readily available.

d. *U. S. postal money orders.* Issued in accordance with regulations of the United States Post Office Department, by U. S. Army postal officers or their agents.

e. *U. S. Savings Bonds.*

f. *Personal transfers to U. S.*

g. *Soldiers' deposits.*

h. *Military payment orders.*

16. *Conversion of dollar instruments into military payment certificates.* Personnel falling under the provisions of paragraph 4 may exchange the following types of dollar instruments, only if acquired and held in accordance with existing regulations, into military payment certificates:

a. U. S. postal and American Express Company money orders.

b. U. S. Treasury checks.

c. U. S. dollar travelers' checks.

d. U. S. dollar currency and/or coin.

e. Military payment orders.

17. *Use of military payment certificates.* In areas in which military payment certificates are in use, such are the only authorized medium of exchange in--

a. All U. S. Army and Navy sales and services installations and activities.

b. Theater, moving picture, and other entertainment facilities, operated by the military establishment.

c. Officers' and enlisted men's messes and clubs, including American Red Cross installations.

d. Contributions for all eleemosynary purposes, including all authorized charitable appeals, church collections, and chaplain's funds, wherever ultimate remittance to the United States through U. S. Army channels is involved.

e. Payments to all travel agencies, radio, cable, telegraph and telephone companies, and all other facilities of similar types, wherever ultimate remittance to the United States through U. S. Army channels is involved.

f. Sale of stamps and other postal services at U. S. Army and Navy postal installations.

VI. RESCISSION OF PREVIOUS REGULATIONS. 18. Paragraph 2b, section IV, WD Circular 159, 1945; and so much of WD Circular 64, 1946, and TM 14-508 as is in conflict with the provisions of this circular, are rescinded.

(AG 123.7 (20 Aug. 46).)

By ORDER OF THE SECRETARY OF WAR:

DWIGHT D. EISENHOWER,  
*Chief of Staff.*

Official:

EDWARD F. WITSELL,  
*Major General,  
The Adjutant General.*

#### FOREIGN GOVERNMENT CURRENCY CONVERSIONS

29 AUGUST 1946.

From: CG, USFET, Frankfurt, Germany, signed McNarney, cite ETGDS.

To: War Department for AG.

Info: OMGUS, Berlin, Germany.

Nr: S 2894.

Present theater currency control regulations require all persons in zone purchasing United States military supplies to have currency control books. Pursuant to these regulations, representatives of foreign governments are required to convert dollars or dollar instruments into Allied Marks through theater fiscal officer and receive currency control books. Arrangements to this effect have been concluded with representatives of all other governments except in case of Russia, whose representatives state that dollar backing problem is now in process of solution by higher officials of the Soviet Command.

It appears unlikely that dollars will be forthcoming in the theater from Russian representatives. It is contention of Soviet representa-

tives that they should not be required to pay dollars for subsistence and maintenance of their personnel in U. S. Zone since fundamental principles for occupation of Germany provide that occupation will be borne by German economy. This has, of course, always been our view, but to extent that German economy has been insufficient and supplies have been made available from military stocks procured with appropriated funds, transfers of such military stocks have been made to foreign govt. representatives on cash reimbursable voucher basis in accordance with theater circular 72, dated 25 May 46.

Circular 72 is successor to theater circular 145, dated 27 October 45 and procedures therein were approved in your cable W-82961, dated 2 April 46, which concluded series of communications between this hqtrs. and War Dept., viz, our S-2125, dated 23 February, our S-3349, dated 14 March, and your W-99019, dated 1 March.

As stated in our cable S-3349, exception to transfers of reimbursable voucher was made where individuals purchased at messes, post exchanges, etc. Since it was more practical to accept Allied Marks in those cases rather than use cash reimbursable voucher. Requirements for currency control books and new plan for military currency do not permit continuation these exceptions. We therefore propose to authorize Soviet representatives to continue to use Allied Marks without currency control books for purchase of essential requirements until new military currency plan in effect. When plan for military currency is effected, we propose to issue to Soviet representatives chit books to be published in theater for use in procuring their essential requirements, such books to be issued on reimbursable voucher in accordance circular 72.

In event Soviet representatives refuse to accept such transfers on cash reimbursable voucher under circular 72, we may find it necessary to issue chit books on non-reimbursement basis and include value thereof. Cost to be charged to German economy in ultimate settlement. However, if latter plan is necessary, believe arrangement must be made to issue chit books on same basis to French and British representatives to assure equality of treatment. In any event, issue of chit books would be available only for essential requirements (post exchange items will require military currency) and would be restricted to members of reparation teams, International Military Tribunal representatives and special quadripartite survey teams traveling through our Zone on business or quadripartite nature as distinct from liaison officers, repatriation groups and other representatives of these governments in our Zone on business of a national nature. These latter representatives would be required to have military currency purchased with dollars or dollar instruments.

In view of short time remaining, we are proceeding with preparation of appropriated chit books. Request approval of action proposed above.

End

Action: SSP.

Info: AAF; Adm. Leahv; ASW; CAD; JCS; ID (State); Adm. Nimitz; P&O; BUD; USW; CSA.

## CHIT BOOKS FOR SOVIET REPRESENTATIVES

International Br, WDGP/D5  
Supply Grp, SS & P  
Mr. G. B. Russell 5304

5 SEPTEMBER 1946.

CG USFET, Frankfurt, Germany.  
Information: OMGUS, Berlin, Germany.  
Number: WARX 99663.  
From: WARCOS reurad S 2894 August 29.

The War Dept., with concurrence of State and Treasury Depts., does not agree to the issuance of chit books to Soviet Representatives on a non reimbursable basis when new currency plan is effected. The purpose of new currency exchange control through the use of military payment certificates is to prevent acceptance foreign currencies, in the first instance, or promises to pay ultimately from German or other Foreign Economies for U. S. Armed Forces goods and services originally purchased with U. S. dollars. Granting the Soviet Representatives exceptional treatment in this matter not believed proper in view of many other foreign countries which will accept the Army Plan in your theater and have already accepted the Army's similar plan of control in the Pacific.

The Soviet contention that occupation of Germany should be borne by Germany economy not applicable in the case where U. S. Army is affording Soviet Representative goods and services which were originally procured with U. S. dollars. Further, the acceptance of marks from the Soviet Representatives would aggravate the present position of the U. S. Army accounts through which marks have already been over remitted to the U. S. for dollars. It is this exact type of transaction whereby U. S. Army accumulates non dollar backed foreign currencies.

In view of the above, it is not clear why there is necessity for your issuance chit books to Soviets on dollar reimbursable basis.

Where exceptions to the Secretary of Wars non support policy announced in WARX 80429 March 12 are deemed advisable by the theater commander, persons or agencies excepted and permitted to use Army facilities must do so on U. S. Army terms, namely by using U. S. dollars or dollar instruments (military payment certificates). The representatives of any foreign country should not be permitted to use any U. S. Army facilities on any other basis.

End.

Originator: SSP.

Distribution: AAF; Adm. Leahy; ASW; CAD; JCS, ID (State);  
Adm. Nimitz; P&O; BUD; USW; CSA.

MILITARY PAYMENT CERTIFICATES  
HEADQUARTERS  
U. S. FORCES, EUROPEAN THEATER

Top Secret  
Auth: CG, USFET  
Initials: PP  
Date: 7 Sept. 1946

AG 123.7 GAP-AGA.

APO 757, 7 SEPTEMBER 1946.

To: Commanding Generals:

US Forces, Austria.  
US Air Forces in Europe.  
Office of Military Government for Germany (US).  
Continental Base Section.  
Western Base Section.  
Third US Army Area.  
Berlin District, US Army.  
European Division, Air Transport Command.

Commanding Officers:

Headquarters Command, US Forces, European Theater.  
American Graves Registration Command, European Theater Area.

1. a. Transmitted herewith are two (2) advance copies of Cir 130, this headquarters, dated 13 September 1946 with Cir 256, War Department, 23 August 1946 attached as annex "A" thereto. Attention is directed to the fact that these advance copies will retain their classification of TOP SECRET until 14 September 1946 on which date they will be unclassified.

b. It is not considered desirable for security reasons, or necessary for the reasons outlined below, for these advance copies to be reproduced by you for general distribution.

2. Monday, 16 September 1946 is "C" Day. Reference is made to the following portions of the theater circular, paragraphs as indicated, which should be made the subject of advance preparations prior to "C"—2, consistent with the security classification.

a. *Paragraph 4a:* It is desired that you take the necessary steps to cause each of the facilities referred to, located in your jurisdiction, to be closed for business as indicated (with the noted exceptions), without prior warning. Advance notices of such closing will *not* be posted in exchanges, post offices, etc., even though such notices would not include the reason for the action. Except for finance offices, facilities should be appropriately informed just prior to the normal cessation of business on "C"—3.

b. *Paragraph 6b and 7f:* These cited paragraphs have to do particularly with temporary receipts for local or other foreign currencies turned in pursuant to the "C" Day operation. If individual WD, AGO Forms 14-44 are not contemplated for use, plans should be made for such alternative procedures as are authorized under the cited paragraph 7f.

3. Reference is made to the following portions of the theater circular, paragraphs as indicated, which should be made the subject of advance preparations commencing the morning of "C"—2 (In order

to preclude undesirable speculation, such commencement should *not* be prior to "C"-2.)

a. *Paragraph 4b*: The action is indicated.

b. *Paragraphs 5a and b*: Suitable extracts should be made from personnel records of the serial register numbers of the Currency Control Records now properly in the possession of the individuals assigned or attached, for use by personnel and civilian payroll certifying officers on "C" Day. Mimeographing of sufficient WD, AGO Forms 14-44 (if they are to be used) should also be commenced to provide four (4) copies per individual turning in funds. Particular attention should be paid to the requirements in this respect for personnel officers designated to accommodate transients (see subparagraph c below).

c. *Paragraph 5d*: The action is indicated. In addition, however, local publicity should be given as to particular places where transients are to report to receive service.

d. *Paragraph 5f*: Post-exchange officers, postal officers, sales officers, custodians of unit funds, etc., should commence preparations for the action indicated for them on "C" Day.

4. The following procedure, while not specified in the theater circular, is recommended for local implementation to insure that finance officers will be able to deliver to personnel and civilian payroll certifying officers on "C"+1, the military payment certificates in the correct denominations for repayment to individuals: Prior to turning in surrendered funds to the finance officers at the close of business on "C" Day the personnel or civilian payroll certifying officers should prepare "change lists" indicating separately for each individual concerned and the group as a whole, the number of \$10, \$5, \$1, 50¢, 25¢, etc., denominations required for reimbursement.

5. This headquarters will cause to be printed on a separate insert sheet as the "official bulletin" portion of the Stars & Stripes, the complete text of the inclosed circular and the War Department circular in the "C"-2, "C"-1, and "C" Day editions. This reproduction in the Stars & Stripes will be used by all concerned personnel for the "C" Day and subsequent related operations pending receipt of the regular distribution. It is desired you so advise your subordinate commanders. Printed unclassified copies of the subject circular will be distributed in the normal manner commencing "C"-2.

6. It is emphasized that the information contained herein is to be utilized by you and your subordinate commanders as necessary prior to "C"-2, but in such fashion as will not prejudice the security hereof.

7. This document becomes unclassified 14 September 1946.

By Command of General McNarney:

George F. Herbert,  
GEORGE F. HERBERT,  
Colonel, AGD,  
Adjutant General.

Telephone: Frankfurt 8-3870.

*Distribution:*

2-each addressee

2-CG, MTOUSA

2-TAG, for Chief, Budget Div., WD,

NOTE.—This is an advance copy. Copies for general distribution will be printed and distributed unclassified subsequent to 13 September 1946. This copy becomes unclassified on 14 September 1946.

**TOP SECRET**  
**AUTH: CG, USFET**  
**INIT: PP**  
**DATE: 7 Sep 1946**

## CIRCULAR NUMBER 130

HEADQUARTERS,  
 U. S. FORCE, EUROPEAN THEATER,  
 13 Sep 1946.

## MILITARY PAYMENT CERTIFICATES

1. *Rescissions.* Cir. 82, this headquarters, 3 Jun 1946; Sec. III, Cir 99, this headquarters, 1 Jul 1946; Sec. I, Cir 101, this headquarters, 6 Jul 1946; letters, this headquarters, both file AG 123.7 GAP-AGO, subjects: "Currency Control Records" and "Exceptions to Currency Control Regulations," both dated 30 Jul 1946; and all other directives, letters, TWX messages, memoranda, or instructions, in conflict herewith are rescinded effective 16 Sep 1946. From and after 16 Sep 1946 the Currency Control Record authorized by Cir 82 will no longer be used.

2. *References.* Reference is made to the following War Department circulars:

- a. Circular 256, 1946\*
- b. Circular 83, 1946
- c. Circular 64, 1946
- d. Circular 159, 1945

3. *Implementation of War Department Circular 256, es, and Introduction of Military Payment Certificates in the European Theater.* a. As supplemented by this circular, the provisions of Circular 256, War Department, 23 Aug 1946, will be implemented, and the US Military Payment Certificates (above and hereinafter referred to as "military payment certificates") authorized by such War Department circular will be introduced in this theater, as of 0001 hours 16 Sep 1946, which date shall be hereinafter referred to as "C" Day.

b. *Description of Military Payment Certificates:*

Denom- ination		Size	Color
\$0.05	2. 16	x 4. 35 inches	The face of these notes has a blue green and purple background with a black scroll border.
. 10	2. 16	x 4. 35 inches	
. 25	2. 16	x 4. 35 inches	The denomination is shown in black within a black scroll frame on left face of note. The reverse of note is printed in two shades of brown and a sunburst emanates from the Great Seal of the United States which is in the lower center
. 50	2. 16	x 4. 35 inches	
1. 00	2. 165	x 4. 386 inches	
5. 00	2. 615	x 6. 14 inches	

\* Annex "A" hereto.

<i>Denom- ination</i>	<i>Size</i>	<i>Color</i>
10.00	2.615 x 6.14 inches	of the note. The following words are printed block letters in black on the right front of the note and in brown in the center of the back of the note: FOR USE ONLY IN UNITED STATES MILITARY ESTABLISHMENTS BY UNITED STATES AUTHORIZED PERSONNEL IN ACCORDANCE WITH APPLICABLE RULES AND REGULATIONS.

4. *Suspension of Business (except as provided) and Dissemination of Publicity.* a. During the period 0600 hours "C"-2 through 2400 hours "C" Day, all business transactions involving the payment, exchange, or transmission of funds at all US military and naval facilities (such as AES installations, clothing stores, liquor stores, post offices, finance offices, and similar activities) will be suspended, except:

(1) Those transactions pertaining to the exchange of local or other foreign currency for military payment certificates as outlined in Par 5 below;

(2) Local currency payments for deferred or other credit accounts accrued and payable by departing PCS and transient personnel incident to services rendered by Army or Navy installations such as commissaries, hotels, etc.;

(3) Mess operations; and

(4) Conversions of local or other foreign currencies made necessary by reason of essential departure of personnel pursuant to written orders directing PCS to or TDY in a country other than the one in which presently located. In these cases *only*, US Army or Navy finance officers will:

(a) Upon presentation of proper travel orders, cause the individual to surrender *all* of his legitimate holdings of local or other foreign currency not to exceed the credit balance in his Currency Control Record, together with such Record;

(b) Reimburse the individual for the amount of currency surrendered pursuant to (a) above, in US dollar currency and/or *Treasury checks* (not military payment certificates or other foreign currency);

(c) Inform the individual that local or foreign currency subsequently acquired by him will *not* be accepted for conversion to military payment certificates or for exchange into other dollar instruments by Army or Navy finance facilities (see Par. 7d (1) below), and indorse his orders to this effect; and

(d) Dispose of the surrendered Currency Control Record in the manner prescribed in Par. 5c (2) below.

b. Commencing at "C"-2, commanders of all echelons are charged with giving wide publicity to, and informing all concerned personnel referred to in USFET Cir. 82, of the provisions of this circular, particularly Par. 5 below. All affected persons will be advised to make necessary arrangements (for example, the withdrawal of funds included in the credit balance of the individual's Currency Control

Record which such individual has on deposit in French banks) in order to comply therewith.

5. "C" Day Operations. a. Each holder of a Currency Control Record authorized by USFET Cir. 82 *who is paid from US Army or Navy appropriated funds* will turn in to the personnel officer (in the case of military and naval personnel) and to the civilian pay-roll certifying officer (in the case of civilian personnel) his legitimate holdings of local or other foreign currency not to exceed the equivalent of the credit balance in his Record, retaining at least a sufficient amount for the payment for meals in messes during "C" Day and "C" 1 and for such purchases in the local economy as are contemplated will be made within 72 hours. Personnel officers of organizations down to and including regimental (or equivalent level), and in addition down to company or similar unit level as hereinafter indicated (see subparagraph d below), will have primary responsibility in this operation, for both officers and enlisted personnel. Civilian pay-roll certifying officers will have similar primary responsibility in respect to civilian personnel. (NOTE: For authorized personnel *not* paid from US Army or Navy appropriated funds and *all* authorized transients, see subparagraph c below.) Only local or other foreign currency supported by appropriate entry in the Currency Control Record will be accepted. At the same time the individual turns in his currency, he will surrender his Currency Control Record to the same personnel or civilian pay-roll certifying officer who will—

(1) Compare the serial number of the surrendered Record with that noted (pursuant to Par. 4 USFET Cir. 82) in the individual's personnel records (or previously prepared suitable extract therefrom) as being the Record now properly in the individual's possession. In case of any discrepancy, appropriate disciplinary or other action will be taken.

(2) Place after the serial number recorded in the individual's personnel records (or on the extract for later transfer to the personnel records) the words "Final surrender pursuant Cir. 130, Hq. USFET 13 Sept. 1946".

(3) Cause such surrendered Currency Control Record to be retained for a period of thirty (30) days. (For final disposition thereof, see Par. 7b below.)

(4) Cause transfer of data from temporary extract (if used) pertaining to final surrender of Record ((2) above) to be made to the appropriate personnel record.

(5) If the individual's personnel records are not immediately available, cause the action set forth in (1), (2), (3), and (4) above to be taken as soon as possible.

b. The accepting personnel or civilian payroll certifying officer will prepare WD, AGO Form No. 14-44 (Receipt for Miscellaneous Collections), in triplicate, for the approved amount surrendered pursuant to a above, indicating thereon the particular type of local or foreign currency involved. (NOTE: If more than one type of local or foreign currency is accepted from the same individual, separate WD, AGO Forms 14-44 will be prepared for each type of such currency concerned. The receipt will show the name, grade, army serial number, organization and APO number of the person turning in the money; the date, and the name, grade, symbol number and

APO number of the accountable US Army or Navy disbursing officer to whom collections are to be remitted. If funds are turned in to a Class B agent finance officer, the symbol number may be omitted. The original of such receipt will be given to the individual and the duplicate and triplicate copies retained with the money collected. At the close of business for the day (by 2400 hours) the funds collected, together with the duplicate and triplicate copies of the receipts, will be deposited with the accountable disbursing officer concerned or his Class B agent finance officer if local finance service is provided by such agent. Upon receipt of funds, together with duplicate and triplicate signed copies of WD, AGO Form 14-44, from the personnel or civilian payroll certifying officer, the accountable disbursing officer or his Class B agent finance officer will cause impression of his *brief stamp* or other suitable identifying office stamp to be made on both copies, the triplicate of which will be returned to the personnel or civilian payroll certifying officer together with a separate receipt on WD, AGO Form 14-44 signed by the accountable disbursing officer or his Class B agent finance officer for the full amount of funds received and which will show thereon the total number of imprinted receipts covered thereby.

c. *Authorized personnel who are not paid from US Army or Navy appropriated funds and authorized transients whether or not so paid.*

(1) *Authorized personnel not paid from US Army or Navy appropriated funds.*

(a) *Administrative agencies* (see Par. 13b (1), USFET Cir. 82, cs.) are responsible for accomplishing the action outlined in and adhering to, the applicable provisions of *a* and *b* above for their personnel to whom they have issued Currency Control Records on behalf of the Army. The administrative office of such agencies will deposit turn-ins directly with US Army disbursing officers or Class B agent finance officers substantially as set forth in *b* above, using for the purpose such form of individual receipts as may be prescribed by the agency concerned. *Note:* UNRRA is specifically excluded from the provisions hereof. UNRRA will make separate arrangements with the Theater Fiscal Director, USFET, to purchase, with acceptable dollar instruments, the military payment certificate determined to be necessary for its authorized personnel.

(b) *Individuals attached* (see Par. 13b (2), USFET Cir. 82, cs.) will, for the purpose of this operation, be regarded as transients and will be dealt with as provided for such transient personnel in (b) below.

(2) *Authorized transients whether or not paid from US Army or Navy appropriated funds.* Such individuals will turn in their local or other foreign currency pursuant to the provisions of *a* above, to personnel officers especially designated to accommodate transients, which personnel officers will be appointed (see subparagraph *d* below) by concerned commanders, particularly in areas such as Frankfurt, Berlin, etc., possessing a large transient population. Such personnel officers will take the action prescribed in *a* and *b* above except that in lieu of the procedure set forth in *a* (1), (2), (3) and (4), they will record the amount of local or other foreign currency turned in, on the inside of the front cover of the Currency Control Record and thereafter cause such Record to be forwarded to the in-

dividual's commander (or the issuing headquarters) by appropriate letter of transmittal for necessary action in accordance with such subparagraphs *a* (1), (2), (3) and (4).

d. Sufficient *acting* or *temporary* personnel and civilian payroll certifying officers will be appointed by commanders for this operation to insure expeditious processing of turn-ins. This will include such provisions for companies and similar units within regiments or equivalent organizations, for staff section of divisions and higher command echelons, *for patients in hospitals and personnel in confinement*, and for transients (see *c* (2) above). Currency will not be turned in directly to the disbursing officer or his Class B agent finance officer by other than appointed personnel and civilian payroll certifying officers and the administrative officers referred to in *c* (1) (a) above except as provided in Par. 4a (4) above.

e. Postal money orders, travelers checks, military payment orders and similar dollar instruments in the possession of individuals will not be surrendered. As desired, they may be exchanged for military payment certificates or local currency at any time commencing "C"+1.

f. (1) Each post exchange officer, postal officer, sales officer, custodian of unit funds, etc., will deposit all official and nonappropriated holdings in local or foreign currency, with a disbursing or Class B agent finance officer. With such deposit will be furnished a certificate stating that funds so deposited (expressed in dollars) are in fact the total cash assets in local or foreign currency of the activity or fund concerned on the date of the deposit and that such statement is corroborated by the official records of such activity or fund. The disbursing officer will in turn reimburse the depositor by treasury check and/or military payment certificates, either or both, equivalent to the amount deposited. In the case of Class B agent finance officers, the reimbursement will be in the form of military payment certificates only.

(2) Under current theater directives, nonappropriated fund bank balances in the United Kingdom are required to be in dollar accounts. Nonappropriated fund bank balances in other liberated or neutral areas will be likewise deposited in dollar accounts, or withdrawn and physically exchanged for treasury checks or military payment certificates as provided in (1) above.

g. At the close of business when all funds have been deposited with accountable US Army or Navy disbursing or Class B agent finance officers as provided in subparagraph *a* above, such accountable disbursing and Class B agent finance officers will make the necessary preparations permitting on "C"+1, the procedure outlined in Par. 5 below.

6. "C"+1 Operations in General and "C"+2 Operations for Messes Only:

a. The personnel or civilian payroll certifying officers, and the administrative officers referred to in Par. 5c (1) (a) above, will return to the accountable disbursing or Class B agent finance officer concerned the separate WD, AGO Forms 14-44 covering the total amounts of funds deposited the previous day, and will draw the equivalent amounts of such funds in military payment certificates. The personnel and civilian payroll certifying officers and the administrative officers

will thereafter deliver such military payment certificates to the individuals concerned upon surrender of the original copy of the receipt (WD, AGO Form 14-44 or other form utilized by the administrative agency concerned) previously furnished them.

b. *All normal business transactions will be resumed using only the military payment certificates or other acceptable dollar instruments pursuant to the provisions of War Department Cir 256, 23 Aug 1946, at Annex A.* As noted, however, in Par 4a and 5a above, messes will accept local currency in payment for meals through "C"+1, and certain Army or Navy installations, such as commissaries, will accept payment of *only due and payable credit accounts* in local currency through "C" Day, in the cited circumstances only. On "C"+2, all messes, and on "C"+1, all Army and Navy retail and service installations which accepted local currency payments for credit accounts, will accept only military payment certificates; and on the same dates, respectively as indicated, the mentioned facilities will cause to be turned in for military payment certificates or deposit as dollar accounts, under procedures established by local commanders, the local currency previously taken in through "C"+1 and "C" Day.

7. *Operations Subsequent to "C"+1.* a. *Grace period.* It is intended that all personnel will turn in funds between 0001 and 2400 hours on "C" Day. From "C"+1 to "C"+10 inclusive, exchanges may be effected by disbursing officers provided the individual has legitimate reasons, confirmed by his immediate commanding officer or administrative superior, for not having accomplished exchange on "C" Day. Subsequent to "C"+10, no exchanges will be made without separate written authorization of this headquarters except that:

(1) In the case of personnel on TDY or authorized leave or furlough during the period "C"-2 through "C"+10 inclusive in such areas where it was impossible for them to have received the information and affected the conversion, the personnel involved will be accordingly advised immediately upon return to their organizations and a special grace period of not to exceed forty-eight (48) hours immediately following such return, will be allowed for the purpose of accomplishing turn-ins. Finance officers are empowered, in such instances, to accept written authorizations of returnees' immediate commanding officers or administrative superiors to make the necessary exchange, provided such authorizations clearly cite TDY, leave or furlough during the period "C"+2 through "C"+10, inclusive.

b. *Disposition of Surrendered Currency Control Records.* On "C"+30 all surrendered Currency Records (see Par 5a (3) above) will be dispatched by letter of transmittal indicating name, rank, and SN of the individual to whom the Record was issued and the register number of the Currency Control Record direct to this headquarters, attention Adjutant General Publications, where they will be further retained for a period of six (6) months. At the expiration of this time, they will be destroyed. Letter of transmittal will be attached to the outside of the package containing the Currency Control Records.

c. *Special Authority to Commercial Concerns.* (1) *Communications Companies.* Communication companies licensed to operate in the US occupied zone are hereby authorized, from "C" Day forward, to make available, and are encouraged to provide to authorized personnel, those additional services beyond message transmissions, such as flower orders, cabling of personal funds, etc., included in their licenses, pro-

vided payment therefor is accepted only in military payment certificates (see Par. 17e, Sec. V, Part II, Cir. 256, WD, es, Annex A hereto).

(2) *American Express Company.* The American Express Company in the US occupied zone is hereby authorized, from "C" Day forward, to sell American Express Company Travelers Cheques or other services included in their licenses to authorized personnel for military payment certificates.

d. *General Provisions.* (1) The system of military payment certificate supersedes all prior currency control systems in all areas in the theater where pay service is rendered by US military or naval disbursing officers and their agents, as distinguished from US military attachés or disbursing units operating primarily under their jurisdiction.

(2) No authority exists for the exchange in any circumstances, after the conversion effected on "C" Day or the grace period in connection therewith (or subsequent to the special accommodation granted essential travelers pursuant to Par 4a(4) above), of foreign currencies (including AM marks or AM shillings), for military payment certificates or other dollar instruments, or for the exchange of one foreign currency for another. In effect, from C 1 forward, foreign currencies will be *purchased* from US Army or Navy finance facilities with military payment certificates or other acceptable dollar instruments and must be used by the purchaser in the local or other foreign economy. Everyone is therefore cautioned to maintain the bulk of his fund holdings in either military payment certificates or other acceptable dollar instruments, exchanging them for only small amounts of foreign currencies from time to time as needed.

(3) Personnel placed on temporary duty, or departing on leave, furlough, or official travel in localities where US Army or Navy facilities (messes, exchanges, etc.) do not exist will, prior to departure, convert such funds as are deemed necessary into appropriate foreign currency or *into travelers checks* (see Par 7c, Sec II, Part II, WD Cir 256, 1946, at Annex A), or both, which may be purchased directly with military payment certificates. Travelers checks may be exchanged for the appropriate foreign currency in any banking or similar institutions situated outside the US occupied zone. *It will be the responsibility of the individual to convert such checks to local currency only in amounts required for day to day expenditures. Any local currency however acquired remaining in the possession of the individual may not be exchanged for dollar instruments or other foreign currencies through US Army or Navy facilities.* There is no objection, however, to the reconversion by the individual of such left-over local currency to dollar instruments through the facilities of civilian banking or similar institutions.

(4) Personnel who on "C" Day are on temporary duty in, or permanently stationed at, or are engaged in duties being performed in, localities where US military or naval facilities are not available, such as a number of those assigned to American Graves Registration Command, or certain individuals assigned to Wester Base Section, will comply with the provisions of Pars 5, 6, and 7a above and thereafter will follow substantially the procedure outlined in (3) above.

e. *Implementation, specifically, of Par 4a(3), (5), (6), and (7), and 8a, c, and g, Sec II, Part II, Cir 256 WD, 23 Aug 1946 (Annex A).*

(1) On "C" Day, the personnel determined to be subject to the application of the provisions of WD Cir 256, are those individuals who on that date lawfully possess the Currency Control Records authorized by Cir 82, this headquarters, 3 Jun 1946 (except UNRRA Personnel; see Par 5c(1) (a) above).

(2) From "C" Day forward, the personnel so determined, are those individuals who are separately authorized, by competent authority, to purchase from, or otherwise patronize, US military or naval messes, exchanges, stores, commissaries and/or other US Army or Navy facilities, as evidenced by the issuance or possession of appropriate mess cards or permits, or ration certificates, or by reason of enabling theater directives (see USFET Cir 57, cs, etc.).

f. The procedures outlined in Par 5b and 6a are designed to provide an orderly and systematic method of accomplishing individual turn-ins of personal funds in local currency and their subsequent repayment in military payment certificates. However, commanders are authorized, upon recommendation of their fiscal finance officers and in the interest of maximum dispatch without sacrifice of accounting safety, to vary, or make compatible substitutions in such procedures. WD, AGO Form 14-44, modified to serve local needs in conformity with the foregoing, may be reproduced locally by the mimeograph process.

8. *Conversion of Military Payment Certificates into Other Dollar Instrument, and Data Incident to Departure from Theater.* a. Authorized personnel may exchange military payment certificates legally in their possession for the following types of dollar instruments:

(1) *US dollar currency or coin:*

(a) Upon departure for the United States.

(b) Upon departure for or arrival in areas where US dollar currency has been determined by the War Department to be the only type of dollar instrument practicable, consistent with local foreign exchange control regulations.

(2) US Treasury checks, when traveling under competent orders to any areas in which US Army disbursing officers and Class B agent finance officers and Military Attache disbursing officers are not readily available.

(3) US Postal Money Orders, issued in accordance with regulations of the United States Post Office Department, by US Army Postal Officers or their agent.

(4) US Savings Bonds.

(5) Soldiers' Deposits.

(6) Military Payment Orders.

(7) Travelers Checks (see Par. 7d (3) above).

b. *Departure from Theater.* (1) No foreign currency or coin will be exchanged into dollars or dollar instruments for personnel departing this theater.

(2) Dependents of authorized personnel as defined in Par. 10, Cir. 83, WD, 1946, who are in possession of military payment certificates under the provisions of Par. 8f, Sec. II, Part II, Cir. 256, WD, 1946, at annex "A" will exchange all such certificates for US dollar currency immediately prior to embarkation.

9. *Conversion of Dollar Instruments for Military Payment Certificates, Limitations on Possession of US Currency and Exchanges by New Arrivals.*

a. Authorized personnel may exchange the following types of dollar instruments, legally in their possession, for military payment certificates:

(1) US Postal Money Orders.  
 (2) US Treasury Checks.  
 (3) US Dollar Travelers Checks issued by American Express Company, Bank of America, National Trust and Savings Association, Mellon National Bank of Pittsburgh, and the National City Bank of New York.

(4) US dollar money orders issued by American Express Company.  
 (5) US dollar currency and/or coin.  
 (6) Military Payment Orders.

b. Possession of US currency by authorized personnel is prohibited except:

(1) Within the limits of a port of debarkation or an airport of debarkation within this theater.

(2) When in possession of competent travel order, to depart for the United States or a country where this type of currency is in use as provided in Par 8 above, and in the limited moratorium circumstances described in Par. 4a (4) above.

c. *New Arrivals in Theater.* All authorized personnel arriving in this theater will convert US dollar currency into military payment certificates with the finance officer at the Port of Debarkation or within 48 hours after arrival.

10. *Prohibition Against Use of Military Payment Certificates.* Military payment certificates are not to be used or expended in the local economy. Appropriate disciplinary action will be taken in the case of all violations of this prohibition.

By Command of General McNarney:

C. R. HUEBNER,  
*Maj. General, GSC,*  
*Chief of Staff.*

OFFICIAL:

George F. Herbert,  
 GEORGE F. HERBERT,  
*Colonel, AGD,*  
*Adjutant General.*

*Distribution: F.*

#### PAYMENT OF U. S. FORCES IN DOLLARS

Summary:

1. By introduction of the Military Payment Certificate Plan, positive prohibitions against conversion for dollars, by U. S. Army disbursing officers, for members of the U. S. Army, of the currencies of the following countries, will shortly become effective:

Great Britain, France, Belgium, Luxemburg, Holland, Switzerland, Italy, Germany, Austria, England, Yugoslavia (Trieste), Denmark, North Africa (West African District, USFET), Japan, Korea, Ryukyus.

2. Conversations with members of the U. S. Treasury Department have developed the concept of improving War Department controls over speculative dealings in foreign exchange, by also prohibiting conversion of all other foreign currencies (except the Philippine peso). In order to provide a medium of exchange within the military enclave, the Treasury has concurred in payment in dollars or dollar instruments of all U. S. Army personnel stationed abroad (except in

(the Philippines), in countries in which the Military Payment Certificate Plan is not in effect.

Adoption of dollar payments, with accompanying prohibitions against conversions, will have a marked beneficial effect in the War Department's fight against black marketing and foreign currency manipulation.

3. Attached draft book message (Tab A) :

a. Directs extension to military personnel of an opportunity for conversion, on 29 September, of legitimate personal holdings of the currencies of all countries now listed in para 15, War Department Circular 64 (except the Philippine Islands), in which the Military Payment Certificate Plan will not be placed in effect. Holdings of quasi-official funds will also be converted at this time.

b. Directs that on and after 30 September 1946, U. S. Army personnel, and persons serving with the Army, stationed abroad (except the Philippine Islands), in nonmilitary payment certificate countries will be paid in dollars or dollar instruments.

c. Prohibits, after 29 September 1946, the exchange of any foreign currencies (except the Philippine peso), by U. S. Army disbursing officers, for dollars or dollar instruments.

d. Prohibits, after 29 September 1946, the acceptance of any foreign currency (except the Philippine peso) in any U. S. Army Post Exchange, mess, club or similar installation within the military enclave.

e. Provides for the sale, by U. S. Army disbursing officers, of such indigenous currencies, for dollars or dollar instruments, as may be required by military personnel for their personal use.

f. Rescinds portions of War Department Circular 64 in conflict with the above.

# RECOMMENDATION

That the draft book message (Tab A) be approved for dispatch.

# COORDINATION

Proposed action has been coordinated with the Treasury Department. Parallel action is being taken by the Navy Department.

Concur—Director of Personnel and Administration

Concur—Director of Intelligence

Concur—Director of Plans and Operations

George J. Richards,  
GEORGE J. RICHARDS,  
Major General, GSC,  
Chief, Budget Division.

1 Incl.: Tab A—Draft of cable.

13 SEP. 1946.

Approved as amended—see Tab "B"

By order of the Secretary of War,

THOS. T. HANDY,  
Deputy Chief of Staff.

W. E. THURMAN

By W. E. THURMAN

Lt. Col. G.S.C., Asst. to the Deputy Chief of Staff.

Noted—Deputy Chief of Staff.

W. E. T. 13 Sep. 1946.

Noted for the S/W.

Noted: Administrative Assistant. J. D. M.

## DRAFT

Secret—Priority  
See Tab "B"  
Book Message

1. On 29 September 1946, U. S. Army disbursing officers in all countries now listed in para 15, War Department Circular 64, current series, (except the Philippine Islands) in which Military Payment Certificate Plan is not placed in effect, will extend to all U. S. Army personnel, and authorized persons serving with the Army, an opportunity to convert their legitimate personal holdings in the currency of the country in which stationed, into U. S. dollars or dollar instruments. Three days advance notice of this opportunity will be given widest possible dissemination. Holdings of quasi-official funds will also be converted into dollars or dollar instruments on 29 September 1946. Detailed instructions on conversion procedures and criteria will follow in separate radio.

2. On and after 30 September 1946, U. S. Army personnel, and authorized personnel serving with the Army, stationed in countries (except the Philippine Islands) listed in para 15, War Department Circular 64 in which the Military Payment Certificate Plan has not been placed in effect will be paid in dollars or dollar instruments.

3. After 29 September 1946, the exchange of any foreign currencies (except the Philippine peso) by U. S. Army disbursing officers for dollars or dollar instruments is prohibited.

4. After 29 September 1946, the acceptance of any foreign currency (except the Philippine peso) in any U. S. Army post exchange, mess, club or similar installation is prohibited.

5. U. S. Army disbursing officers will sell to U. S. Army personnel, or authorized personnel serving with the Army, such indigenous currency of the country in which stationed as may be required for their legitimate personal needs, for dollars or dollar instruments, at rates at which currencies are officially acquired by disbursing officers.

6. All provisions of War Department Circular 64, current series, in conflict with the above are hereby rescinded.

7. Currencies of countries not repeat not listed in War Department Circular 64, and currencies of countries in which Military Payment Certificate Plan has been introduced are not repeat not eligible for conversion.

8. Disbursements for pay and allowances to civilian natives or local contractors employed by the U. S. Army in foreign countries will continue in the foreign currency of the country concerned. In the event such personnel, in exceptional cases, are allowed minimum P-X, commissary, etc., privileges, same should be arranged on a credit basis and proper deductions made in current pay.

9. Military Payment Certificate countries will not be converted to the above basis without prior War Department concurrence.

## SECRET—PRIORITY

*Book Message To—*

Caribbean Defense Command-----	Quarry Heights, Canal Zone.
Panama Canal Department-----	Do.
Antilles Department-----	San Juan, Puerto Rico.
Trinidad Base Command-----	Port of Spain, Trinidad.
Joint Brazil-United States Military Commission for U. S. Army Member (Ground) -----	Rio de Janeiro, Brazil.
U. S. Forces European Theater-----	Frankfurt, Germany.
Commander-in-Chief, U. S. Army Forces Pac-----	Tokyo, Japan.
Detachment U. S. Army in India-----	New Delhi, India.
U. S. Army Forces in the Mediter- ranean Theater of Operations-----	Caserta, Italy.
Detachment U. S. Army in Middle East -----	Cairo, Egypt.
Azores Base Command-----	Santa Maria Island, Azores.
Bermula Base Command-----	Kindley Field, Bermuda.
Iceland Base Command-----	Keflavik, Iceland.
Newfoundland Base Command-----	Harmon Field, Stephenville, Newfoundland.
South Atlantic Wing-----	Natal, Brazil.
American Legation Melbourne, Aus- tralia-----	(U. S. Military Attaché American Embassy or American Legation).
American Embassy Rio do Janeiro, Brazil-----	Do.
American Embassy Ottawa, Canada---	Do.
American Embassy Praha, Czecho- slovakia -----	Do.
American Embassy Cairo, Egypt-----	Do.
American Embassy Teheran, Iran-----	Do.
American Legation Baghdad, Iraq-----	Do.
American Legation Tangier, Morocco---	Do.
American Legation Wellington, New Zealand -----	Do.
American Embassy Oslo, Norway-----	Do.
American Legation Pretoria, Union of South Africa -----	Do.
American Legation Stockholm, Swe- den -----	Do.
American Legation Beirut, Syrian- Lebanon-----	Do.
American Embassy Ankara, Turkey---	Do.
American Embassy Moscow, Russia---	Do.

CONVERSION OF ALLIED MILITARY MARKS TO DOLLARS FOR UNITED  
SEAMEN'S SERVICE CLUB IN BREMERHAVEN, GERMANY

Nr: S-4156

24 SEPTEMBER 1946.

From: CG USFET Frankfurt Germany sgd McNarney cite ETFDD.  
To: War Department for WARBUD for FINEF; Fin Off, 142 Finance Disbursing Section Bremen Germany

1. Club holds approximately 310,000 Allied Military Marks from services such as meals and snacks served, beer sales, rooms provided, all to merchant seamen manning War Shipping Administration ships. Seamen presumably received Allied Military Marks from masters and agents who obtained advances from Army Finance Officers based on War Department Memorandum number 55-44 dated 29 September 1944. Club figures indicate average expenditure approximated \$1 per individual served. Supplies were obtained generally from ship stores and bills are payable in the United States in dollars. Indigenous expenditures were negligible.

2. Club operations commencing 16 September 1946 are on military payment certificate basis. Exact status of USS in relation to WSA not known here. Request your reaction to conversion by transmission of dollars to the United States.

End

Action: FIN  
Info: CAD, BUD

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CONVERSION OF AMM FOR SEAMEN'S CLUB

OFFICE CHIEF OF FINANCE,  
FINEF CAPT R E LEACH 6053,  
1 October 1946

CG, USFET, Frankfurt, Germany.

Nr: WAR 81999.

For Fiscal Director from FINEF reurad S 4156.

See WCL 27138 of 12 July this year. Determination should be made as to total amt of marks advanced and the total amt of marks returned in accordance with procedure outlined in above message. Conversion of marks presently held by USS may be made not to exceed the net difference between those two figures.

End

Originator: FIN.  
Distribution: CAD, BUD.

## ADVANCE OF AMM TO AMERICAN MISSIONS

25 SEPTEMBER 1946.

From: Office of Mil. Gov't. for Germany, Berlin, sgd. Clay.

To: War Department for WDSCA and for info. WARBUD.

Info: USFET.

Nr: CC 4321.

1. Your WX 96781 authorized Currency Branch, Finance Division to advance Allied Military Marks to 4 Military Missions upon receipt contracts to reimburse United States in dollars at rate Ten Allied Military Marks equals one dollar. Missions now need Military Police certificate to cover expenses of Mission personnel at United States Army installations. Military payment certificates disbursed by United States Army disbursing officers only not by Finance Division, OMGUS.

2. Office of Fiscal Director states that disbursing officers cannot advance military payment certificates against promises to pay dollars but require acceptable dollar instrument or other means which result in actual dollar credited to account of disbursing officers. Missions have New York dollar accounts which could be used to purchase military payment certificates but your WX 93600 indicated missions are not to use their dollars now to settle obligations in dollars for mark advances.

3. Request instructions as to method of financing missions. Desired soonest as some missions urgently require military payment certificates. Suggest that responsibility for financing military missions be transferred from OMGUS to Office Theater Fiscal Director with OMGUS acting as liaison.

4. Currency Branch, Finance Division, holds copies reimbursement instruments from missions aggregating \$36,115 acquired under authority your WX 96781 resulting from advance of 361,115 Allied Military Marks. Missions obtained currency control books with these marks which were considered dollar-backed.

5. Request instructions as to disposition of dollar reimbursement agreements held by Currency Branch but further request separate reply if necessary to question raised in para. 3 above in order to expedite.

End

Action: CAD.

Info: P&amp;O., BUD, FIN.

## INSTRUCTIONS TO MILITARY ATTACHÉS

25 SEPTEMBER 1946.

CG USFMTO Caserta, Italy.  
CG USFET Frankfurt, Germany.  
CG USFA Vienna, Austria.  
CINCAFPAC Tokyo, Japan.  
DUSAI New Delhi, India.  
CG ATC Washington, D. C.  
Number WCL 47004.

WDSBU Lt. Col. Feyereisen  
73289

Signed WDSBU rerad USFET dated 10 September re currency exchange control and for information of other above addresses.

Separate instructions being issued to all Military Attachés confirming War Department instructions regarding currency exchange controls essentially as follows:

A. Attachés in countries in which Theater Commanders introduced military payment certificate plan must, of course, conform to all applicable provisions of WD circular and theater instructions. Military Attachés in countries affected by plan will be directed to contact Theater Commanders if they have not already done so, to implement plan insofar as their installations are concerned.

B. Military Attachés in Yugoslavia, Poland and Greece may continue use of present procedures for payment of troops. Effective 30 September 1946, if not already in effect, however, currencies of these countries will not be eligible for conversion into US dollars, dollar instruments, or any other foreign currency.

C. In all other countries where Military Attachés are stationed (Except in Philippine Is.) they will, effective 30 September 1946, make payment to all their authorized personnel in dollars or dollar instruments. After 30 September 1946, exchange of foreign currency (Except the Philippine peso) by US Army Military Attaché Office for dollars or dollar instruments is prohibited. You will be made info on any radios sent to Military Attachés.

Related subject for USFET and USFA only. ACC Rumania continuance of present control system without use of Military payment certificate plan is concurred in by War Department.

Further related subject for USFET and USFA. Currency control plan for ACC Hungary being considered further by War Department. You will be kept informed.

End.

Originator: BUD.

Distribution: AAF, AGF, ID (State & Treasury); P & O; Fin.

## CIRCULAR NUMBER 140

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER

26 SEP. 1946.

## PROHIBITED AND PERMITTED TRANSACTIONS IN THE EUROPEAN THEATER

1. *Rescission.* Sec. III, Cir. 67, this headquarters, 18 May 1946 and letter, this headquarters, AG 123.7 GAP-AGO, "Prohibition Against Circulating, Importing, Mailing or Exporting United States and Continental Currencies, Including British Currencies in Liberated and Occupied Areas and Transactions Involving All Currencies Except Through Official Channels," 27 Feb. 1946, and letter, this headquarters, AG 383 GEC-AGO, "Troop Participation in Black Market Trade," 10 Sep. 1945, are rescinded.

2. *Policy.* It is the policy of the Theater Commander that all persons in the theater who are—

- a. US military personnel.
- b. Employed by, serving with or accompanying the US forces,
- or
- c. Authorized to be present within the theater with the permission and authority of the Theater Commander

shall not, insofar as can be avoided, disturb the economy of the occupied territories of Germany or Austria, nor use their presence here in order to obtain or to plan to obtain any commercial or monetary advantage for themselves or for others.

3. *Scope.* The provisions of this circular are applicable to all transactions in the European Theater, except where they are specifically limited to transactions in the US occupied territories of Germany and Austria. The "Trading With the Enemy Act," 50 USC App. Par. 1 et seq., restricts transactions involving German and Austrian nationals, and this circular implements and conforms to that act. AR 600-10, applicable throughout this theater, imposes additional restrictions on transactions by military personnel, and laws of local and national governments concerned may restrict transactions outside the US occupied territories of Germany or Austria. Nothing in this circular exempts personnel under jurisdiction of this headquarters from complying with applicable laws of such governments.

4. *Permitted and Prohibited Transactions.* The following rules govern commercial transactions and activities in this theater by an individual in his own name or as an agent or on behalf of another:

a. *Real Property.* Real property located in Germany or Austria or located outside Germany or Austria and owned by a German or Austrian national or resident may not be bought, sold, leased or otherwise, acquired or transferred.

b. *Tangible Personal Property.* (1) *Purchases.* Tangible personal property which is not rationed by a local or national government may be purchased in the occupied territories of Germany or Austria from indigenous sources at prevailing legal prices for the personal use of the individual or for use as gifts or souvenirs, provided such purchases are not made for investment, resale or otherwise for profit; items rationed by a local or national government may not be purchased in the occupied territories of Germany or Austria. Other

tangible personal property located outside the occupied territories of Germany or Austria may be purchased or otherwise acquired from indigenous sources without regard to the restrictions contained in this paragraph; but if such property is owned by a German or Austrian national or resident, it may not be bought, acquired, sold, transferred or otherwise dealt in. Tangible personal property may also be purchased from any US governmental agency authorized to operate in this theater. Private motor vehicles may not, however, be purchased from German or Austrian owners. (See Sec. III, Cir. 49, this headquarters, 12 Apr. 1946).

(2) *Sales and Trading.* No person subject to this circular may sell tangible personal property to any person (including Germans and Austrians) not subject to this circular. No tangible personal property subject to US Department of Commerce export restrictions may be transferred to persons other than US citizens. (This headquarters is compiling and will publish lists of US exports which are prohibited by US law or regulations from resale except to US citizens.) Privately owned motor vehicles may be sold or transferred only as prescribed by Sec. 3 (g) of the "Motor Vehicle and Traffic Code."

(3) *Barter.* The establishment of closely controlled barter stores is authorized. Such barter stores will be established, operated, and controlled in accordance with regulations to be published by this headquarters. No person subject to this circular may barter tangible personal property with any person (including Germans and Austrians) not subject to this circular except in barter stores duly established by US authorities.

(4) *Gifts.* While the above prohibitions against disposal of property includes legal gifts, it is not intended to prohibit minor gifts of a sociable or charitable nature which are given without obligation of any kind.

c. *Stocks, Bonds, and Other Intangible Personal Property.* Stocks, bonds, and other securities and intangible personal property may not be bought, sold, acquired, transferred or otherwise disposed of if issued by a person or corporation located by residence, domicile or nationality in Germany or Austria. Intangible personal property may not be bought, sold, acquired, transferred or otherwise disposed of if it represents any interest, direct or indirect, in property located in Germany or Austria, or if it is owned by a German or Austrian national or resident. Other intangible personal property may be bought, sold, acquired, transferred or otherwise disposed of without regard to the restrictions contained in this paragraph. Stock of a corporation located in Germany or Austria, which was acquired prior to 7 Dec 1941, may be owned and voted; and stock of a corporation located outside of Germany or Austria, having subsidiaries in Germany or Austria, may be acquired, owned and voted.

d. *Engaging in Professions, Trade or Industry.* No individual may engage in any profession, trade, business, transportation, mining, or other industry, in any capacity in the US occupied territories of Germany and Austria, whether as owner, director, manager, officer, consultant, employee, or stockholder, whether or not for profit, gain, or other advantage, except as provided in Par 4c above.

e. *Purchase of Personal Services.* Personal services may be purchased at prevailing legal prices when incident to ordinary residence within this theater. This includes employment of servants in accordance with applicable directives.

f. *Dealing in Currencies.* Except as authorized, all personnel subject to the jurisdiction of this headquarters, including those individuals who come within the scope of Cir 64, WD, 5 Mar 1946, are prohibited from—

(1) Importing US currency in excess of \$50.00 from the US. (See Par 6, Cir 64, WD, 1946.)

(2) Retaining US currency in their possession longer than 48 hours after arrival in the theater. (See Par 9b and 9c, Cir 130, this headquarters, 13 Sept 1946.)

(3) The export and import of any currency in or out of any country in violation of the currency export/import laws of the country concerned. Such regulations are published from time to time through technical fiscal channels. In case of doubt, direct communication with the Office of the Theater Fiscal Director is authorized.

(4) Dealing in gold coins or gold bullion.

(5) Taking part in negotiations involving the sale of one continental currency for another on behalf of persons resident in Europe not amenable to the jurisdiction of this headquarters as set forth above.

(6) Importing into and exporting from Europe, funds, securities or money for the account of persons residing in Europe who are not subject to the jurisdiction of this headquarters as defined above.

(7) The term "continental currencies" as used in this circular includes allied military marks and British pound sterling.

g. *Misuse of Communications.* No person shall use the Army postal system or any other communication system in connection with any transaction prohibited by this circular.

h. *Transactions in the Course of Official Duties.* (1) All personnel are permitted to engage in such transactions as are required by their official duties on behalf of the Army or the US government.

(2) Technical representatives, technical observers, correspondents, and other civilians authorized to be in the occupied territories of Germany and Austria for specific duties are permitted to carry out those specific duties for which they were granted admittance. Nothing contained in this circular, however, shall authorize or permit any business or commercial transaction for which a Treasury license is required, unless such license has been obtained for the transaction.

5. Violation of any of the prohibitions of this circular will subject the offender to trial by court martial or other appropriate action.

6. It is desired that this circular be brought to the attention of all persons affected by its provisions, including the dependents of military and civilian personnel. Unit commanders are charged with individual distribution. Local reproduction is authorized. (AG 091.3 GEC-AGO)

By command of General McNarney:

C. R. HUEBNER,

Maj. General, GSC,

Chief of Staff.

Official:

GEORGE F. HERBERT,

Colonel AGD,

Adjutant General.

Distribution: F

## NON-ACCEPTANCE OF FOREIGN CURRENCY

HEADQUARTERS, UNITED STATES FORCES,  
EUROPEAN THEATER,  
OFFICE OF THE THEATER FISCAL DIRECTOR,  
APO 757, 9 December 1946.

GHQ Number 201.

1. Rescission: Section I and II, GHQ # 188, dated 1 November 1940.

2. Except as provided in par 3 and 4, below, no foreign currencies of any kind or description will be accepted as collections or for exchange unless pursuant to specific authorization of the Secretary of War. Such specific authorization is construed as applying to the *collecting agency*, hence, collecting agencies must require collectible amounts to be in dollars, U. S. Military Payment Certificates, or other acceptable dollar instruments. Finance officers are automatically prohibited from receiving foreign currencies, including Allied Military Marks or Austrian schillings from any collecting agency whatsoever unless such agency received such currencies by *specific* authority of the War Department.

3. a. Pending issuance of further instructions, finance officers may accept foreign currencies only in instances where an indebtedness to the United States exists, and where no alternative as to medium of collection is possible without reflecting a distinct loss to the Government. Such instances arise where collections are made from indigenous personnel for Government property lost or damaged, meals furnished on a cash reimbursable basis, sales of Class X clothing, sales of garbage, settlement of claims in favor of the United States, etc., where collection in dollars or dollar instruments is, and will continue to be, impossible. These examples are not all inclusive, but in any instance where doubt exists as to propriety of accepting foreign currency, advice should be obtained from this office (Attention: Technical Operations Branch) prior to its acceptance.

b. Foreign currencies accepted for collection under authority contained in par 3a, will be accounted for as "Special Deposits all others" and not processed as a collection to the General Fund of the Treasury unless so directed by this office. Such funds will be transferred as "Special Deposits all others" to the Central Disbursing Officer, once monthly, as follows:

(1) Physical transfer of the currency accepted, to the Central Disbursing Officer, 7752nd Finance Center (ET) APO 807, on invoice of funds.

(2) Supporting documents to be forwarded to Central Disbursing Officer.

(3) The Central Disbursing Officer will keep a break-down in his special deposit ledger so that funds can be identified at any time. Supporting documents will be filed by the Central Disbursing Officer in such a way that they may be readily produced when needed.

4. Fines, forfeitures, and confiscations of German marks tendered finance officers by representatives of the Office of Military Government may be accepted by finance officers as special deposits and processed as heretofore (Sec. I, GHQ #82, dated 21 September 1945). This type of transaction is not to be considered as a collection for the credit of the Treasurer of U. S. and is expected from the restriction by the War Department on the nonacceptance of any foreign cur-

rency by finance officers subsequent to 31 October 1946, being an arrangement to facilitate the transmission of the funds to the OMG (US) Finance Division, Foreign Exchange Depositary. German marks (Reichsmarks and Allied Military Marks) only may be accepted from Military Government Legal Officers under this procedure.

5. a. In each case of a collection of currency other than dollars the following certificate will be obtained by the receiving finance officer, which will be reproduced locally, as needed:

Name, Rank, and Symbol No. of Finance Officer	Amount in Dollars
Address of Finance Officer	Amount in Foreign Currency
Name, Rank, and Organization of Submitting Officer	
Authority or Reason for Acceptance of the Foreign Currency	
Receipt Account to be Credited	
Date	Signature of Submitting Officer

b. Finance officers will be required to be able to substantiate any increases in foreign currency balances with this certificate. The originals will be transmitted to the Central Disbursing Officer with the related invoice of funds. The first copy thereof will be attached to related foreign currency reports. The second copy will be permanently retained by the local finance officer.

R. B. Conner,  
R. B. CONNER,  
*Colonel, F. D., Theater Fiscal Director.*

#### INFORMATION ON RUSSIAN ISSUED MARKS

Civil Affairs Division  
311.23 CAD  
Mr. Hartley, 73766

4 JANUARY 1947.

COMGENUSFET, Frankfurt, Germany.  
OMGUS, Berlin, Germany.  
Number: WARX 89002.  
From WDSOA ES.

Treasury Dept requests fol info be furnished, if available:  
Total amount of Allied Mil Marks printed by Russians or other data concerning Russian operations in Allied Mil Marks.  
Estimate amount of Allied Mil Marks carrying — before serial numbers included in your total holdings.

End

Originator: CAD.  
Distribution: ASW; BUD; FIN.

## RUSSIAN AMM OPERATIONS

13 JANUARY 1947.

From: OMGUS, Berlin, Germany signed Clay.

To: War Department for WDSCA ES.

Nr: CC 7647.

1 Reur WX 89002, there is no information here regarding total amount of allied military marks printed by Russians. Repeated requests for this information have been made to Russians at highest levels.

2 In TWX 25th November 1946 between Fiscal Director and Budget Office of War Department and estimate was given based on a small sampling of marks on hand in the Foreign Exchange Depository. It is understood that sampling of Bremen returns indicated about 64 percent and that returns from Erlangen indicated about 67 percent were Russian printed marks. It is understood however that earlier receipts indicated that these estimates might be low and that the average might be nearer 80 percent.

3 It is estimated that in order to sample even one percent of the total amount of returned currency now on hand at Foreign Exchange Depository would require the work of about 20 persons for a period of three weeks. In view of other important and urgent work presently being carried on there we will not undertake this task unless requested to do so.

End

Action: CAD.

Info.: ASW; BUD; FIN.

HEADQUARTERS,  
US FORCES, EUROPEAN THEATER,  
9 March 1947.

## CIRCULAR NUMBER 19

## CURRENCY CONVERSION

1. *General:* a. There will be a currency conversion program on 10 March 1947. This date will hereinafter be referred to as "X" day. type of *MPCs* (hereinafter referred to as *new MPCs*). Old *MPCs* (hereinafter referred to as *old MPCs*) issued pursuant to Circular 139, this headquarters, 13 Sep 1946, and to substitute therefor a new type of *MPCs* (hereinafter referred to as *new MPCs*). Old *MPCs* are officially designated as series 461 *MPCs*.

b. Only authorized personnel will be benefited and/or affected by this conversion program. The provisions of this circular constitute continued implementation of Circular 256, War Department, 23 Aug 1946. Authorized personnel are these individuals defined in paragraph 4, Circular 256, War Department, 1946. Directly applied to the circumstances of this theater, authorized personnel are those individuals separately authorized by competent authority to purchase from, or otherwise patronize, US military or naval messes, exchanges; stores, commissaries and/or other US army and navy facilities as evidenced by issuance or possession of appropriate mess cards or permits, or

ration certificates, or by reason of enabling theater directives (see Circular 165, this headquarters 8 Nov 1946).

c. Insofar as possible the collection of old MPCs from individuals by personnel and civilian payroll certifying officers, finance officers, etc. (see par. 4, below) as a preliminary to substitution of new MPCs will take place between 0500 and 1400 hours "X" day.

d. To facilitate this conversion program all echelons of command will, during the period "X" day through "X" 2, hold to a minimum, with due regard to other paramount considerations of an official and personal character, all departures by individuals from permanent stations on TDY, PCS, leave, etc., until old MPCs taken up on "X" day have been substituted for with new MPCs under the procedures set forth herein.

2. *Description of New MPCs:* A description of the new MPCs will be announced at a later date.

3. *Suspension of Business with Old MPCs and Resumption of Business with New MPCs.* a. Effective 0001 hours "X" day new MPCs will be the money medium required to be used in all business transactions involving the payment, exchange or transmission of funds in all US military and naval facilities (such as AES installations, clothing stores, liquor stores, post offices and similar facilities) and in commercial licensee facilities, etc. Limited exemption from this rule is contained in subparagraph b below.

b. Old MPCs will, however, continue to be acceptable for the following transactions for the limited periods from and after "X" day as indicated:

(1) Those transactions pertaining to the exchange of old MPCs for new MPCs as outlined in paragraph 4 to 7 inclusive below.

(2) Through "X" 2; mess operations; meal service on military trains, etc.

(3) Through "X" 2; special conversions of old MPCs necessitated by essential departure of personnel on FCS or TDY in the country other than the one in which presently located. In these cases only, US army or navy finance officers will:

(a) Upon presentation of travel orders, cause the individual to surrender all his legitimate *old* MPCs;

(b) Reimburse the individual for old MPCs surrendered pursuant to (a) above in US dollar currency and/or Treasury checks (or in new MPCs or other foreign currency if specifically requested).

4. *"X" Day Operations: Collection and Deposit of Old MPCs.*

a. Between 0500 hours and 1400 hours each authorized person *who is paid from US Army or Navy* appropriated funds will turn in to the personnel officer (in the case of military and naval personnel) and to the civilian pay-roll certifying officer (in the case of civilian personnel) his legitimate holdings of old MPCs, retaining at least a sufficient amount for the payment for meals in messes through "X" +2. Personnel officers of organizations down to and including regimental (or equivalent level) and in addition down to company or similar unit level as hereinafter indicated (see subparagraph e below), will have primary responsibility in this operation for both officers and enlisted personnel. Civilian pay-roll certifying officers will have similar primary responsibility in respect to civilian personnel. (NOTE: For authorized personnel *not* paid from US Army or Navy

appropriated funds and *all* authorized transients, see subparagraph d below). Only old MPCs will be accepted by personnel and civilian pay-roll certifying officers.

b. The accepting personnel or civilian pay-roll certifying officer will prepare and sign WD AGO Form No. 14-44 (Receipt for Miscellaneous Collections), in triplicate, for the amount surrendered pursuant to subparagraph a above. The receipt will show the name, grade, Army serial number, organization and APO number of the person turning in the money; the date, name, grade, symbol number and APO number of the accountable US army or navy disbursing officer to whom collections are to be remitted. If funds are turned in to a Class B agent finance officer, the symbol number may be omitted. The original of such receipt will be given to the individual and the duplicate and triplicate copies retained with the money collected.

c. Promptly after completion of the operations prescribed in subparagraphs a and b above, personnel and civilian pay-roll certifying officers will prepare a summary change list, in duplicate, indicating the various denominations (\$10, \$5, \$1, halves, quarters, dimes, etc.,) and the respective total amounts of each denomination which they expect to receive from the finance officer in new MPCs in order to enable distribution of appropriate amounts to the holders of cash receipts. The total funds collected, together with duplicate and triplicate copies of the receipts and the original summary change list, will be deposited with the accountable disbursing officer or his Class B agent finance officer if local finance service is provided by such agent. The finance officer, upon receipt of funds with duplicate and triplicate signed copies of WD, AGO Form 14-44 and original summary change list, will place his *brief stamp* or other suitable identifying stamp on both copies of WD, AGO Form 14-44, the triplicate of which will be returned to the personnel or civilian pay-roll certifying officers, together with a *separate summary receipt* on WD, AGO Form 14-44 signed by the finance officer for the full amount of funds received. The summary receipt will show the total number of imprinted receipts covered thereby in addition to other essential data thereon required. The finance officer should especially insure, incident to his own function, that the telephone number of the submitting personnel or pay-roll certifying officer appears at the bottom of either the WD, AGO Form 14-44 or the change list.

d. *Authorized personnel (including foreign Liaison Groups) who are not paid from US Army or Navy appropriated funds and authorized transients whether or not so paid.*

(1) *Authorized personnel not paid from US Army or Navy appropriated funds.* (a) *Administrative agencies* are responsible for accomplishing the action outlined in and adhering to, the applicable provisions of subparagraphs a to c above for their personnel. *This includes foreign liaison groups.* The administrative officer of such agencies will deposit turn-ins directly with US Army disbursing officers or Class B agent finance officers substantially as set forth in subparagraph c above using for the purpose such forms of individual receipts as may be prescribed by the agency concerned.

(b) Individuals attached will, for the purpose of this operation, be regarded as transients and will be dealt with as provided for such transient personnel in (2) below.

(2) *Authorized transients whether or not paid from US Army or Navy appropriated funds.* For personnel who must necessarily be away from home organizations for all of the "X" day turn-in period, the commanding officer of a unit or chief of the staff section section at which there are present, the officer in charge of their temporary billet, or when the foregoing is impracticable, the officer in charge of the nearest RTO will be responsible for collection, under procedures set forth in subparagraphs a to c above, of old MPCs in transients' possession and return to them of new MPCs under the procedures contained in paragraph 6 hereof. For this purpose the designated receivers will function as temporary personnel officers. Officers performing this duty will obtain proper identification and will forward name and amount of the conversion to the commanding officer or section chief of the person concerned. Performance reports in accordance with paragraph 11 below apply. Unit commanders or section chiefs will be responsible for collection of remainder of transients' currency when transients return to permanent station. Grace period procedures in paragraph 7 will apply as may be necessary.

e. Sufficient *acting* or temporary personnel and civilian pay-roll certifying officers will be appointed by commanders for the foregoing operations to insure expeditious collection of old MPCs. This will include such provision for companies and similar units within regiments or equivalent organizations, for staff sections of divisions and higher command echelons, *for patients in hospitals and personnel in confinement*, etc. Old MPCs will not be turned in directly to the disbursing officer or his Class B agent finance officer by other than appointed personnel and civilian pay-roll certifying officers, and the administrative officers referred to in paragraph 4d (1) (a) above, except as authorized in paragraph 3b (3) above.

f. Each exchange officer, postal officer, sales officer, custodian of unit funds, commercial licensee, etc., will deposit all legitimate holdings in old MPCs with a disbursing or Class B agent finance officer. With such deposit will be furnished a certificate stating that funds so deposited are the assets in old MPCs of the activity or fund concerned (precise fund title will be stated) on the date of the deposit and that such statement is corroborated by the official records of such activity or fund. The disbursing officer will in turn reimburse the depositor by Treasury check and/or new MPCs, either or both, equivalent to the amount deposited. In the case of Class B agent finance officers the reimbursement will be in new MPCs only.

5. *Completeness and Integrity of Collection of Old MPCs; Responsibility and Time Limitations:* a. Except as modified by subparagraph e below, it is the duty of *personnel and civilian pay-roll-certifying officers* to effect a single complete collection pursuant to paragraph 4 above of old MPCs from individual holders by not later than 1400 hours "X" day.

b. If individual insists that all of his holdings of old MPCs are not on his person, the immediate commanding officer, if claimant is a military individual, or his branch or division chief, if claimant is an authorized civilian, will ask him to make a brief statement in writing over his signature indicating the amount of added holdings of MPCs claimed to be elsewhere. This record will be filed by the unit commander or branch or division chief with the local office records for future reference.

c. Retail facilities such as exchanges, clothing stores, clubs, licensee facilities, messes, commissaries, etc., will effect *one complete* conversion of old MPCs to new MPCs as soon after 0500 hour "X" day as is convenient. This will be by direct contact with the local finance office. Until this conversion is accomplished such facilities, except messes, will be without authority to engage in cash retail transactions after 0001 hours "X" day.

d. Messes will effect one additional conversion of old MPCs for new MPCs by direct contact with local finance office not later than "X"+4. The old MPCs to be converted will be only those accepted from authorized individuals pursuant to paragraph 3b above.

e. Transients and absentees unable to surrender old MPCs to qualified receivers on "X" day, by reason of travel or leave status under orders in places where conversion service on "X" day is inaccessible, will comply with the grace-period provisions in paragraph 7 below.

6. *Repayment of New MPCs to Authorized Individuals, Funds and Retail Agencies:* a. The personnel or civilian payroll certifying officers, and the administrative officers referred to in paragraph 4d (1) (a) above, will return to the accountable disbursing or Class B agent finance officer concerned the separate WD, AGO Forms 14-44 covering the total amounts of funds previously deposited, and will draw the equivalent amounts of such funds in new MPCs. This will be done promptly upon receipt of notification from the finance officer that new MPCs are ready for withdrawal, which may be at any time after 0001 hours "X" day. The personnel, civilian payroll certifying and administrative officers will thereafter promptly deliver such new MPCs to the individuals upon surrender of the original copy of the receipt (WD, AGO Form 14-44 or other form utilized by the administrative agency concerned) previously furnished them.

b. Clubs, funds, retail activities, etc., will secure new MPCs in exchange for old MPCs by direct contact with the local finance office as indicated in paragraph 5 above.

7. *Grace Period:* a. It is intended that all authorized personnel will turn in old MPCs between 0500 hours to 1400 hours "X" day to personnel or civilian payroll certifying officers. However from "X" + 1 to "X" + 10, inclusive, exchanges of old MPCs may be effected directly by finance officers provided the individual has legitimate reasons, confirmed by his immediate commanding officer or administrative superior, for not having accomplished exchange on "X" day. Subsequent to "X" + 10 no exchanges will be made without separate written authorization of this headquarters, except that:

(1) In the case of personnel on TDY or authorized leave during the period "X" through "X"+10, inclusive, in such areas where it was impossible for them to have received the information and effected the conversion, the personnel involved will be advised immediately upon return to their organizations and a special grace period of not to exceed forty-eight (48) hours immediately following such return, will be allowed for accomplishing turn-ins direct to finance officers. Finance officers are empowered, in such instances, to accept written authorizations of returnees' immediate commanding officers or administrative superiors to make the necessary exchange, provided such authorizations clearly cite TDY, leave, etc. during the period "X" through "X"+10, inclusive.

(2) Personnel who on "X" day are on temporary duty in, or permanently stationed at, localities where US military or naval facilities are not available, such as may apply to individuals in American Graves Registration Command, etc., will comply with (1) above.

8. *Special Authority to Licensed Commercial Concerns:* Such concerns are authorized effective 0001 hours "X" day to provide services to authorized individuals and agencies described in their licenses provided payment is made for such services only in new MPCs.

9. *Procedural Latitude:* The preceding procedures are designed to provide an orderly and systematic method of accomplishing collection of old MPCs and prompt repayment in new MPCs. Local commanders, however, are authorized, upon recommendation of their fiscal or finance officers, and in the interest of dispatch without sacrifice of *integrity* of collection and accounting safety, to make compatible substitutions in such procedures. WD, AGO Form 14-44, modified as necessary in conformity with the foregoing, may be reproduced locally.

10. *Limitations, Counterfeits, Discipline:* a. All concerned personnel and civilian payroll certifying officers, administrative officers, finance officers, etc., are cautioned concerning the growing circulation of counterfeit old MPCs. Information to this effect has been disseminated but it is stressed again that the immediate identifying characteristics of the fraudulent MPCs are:

• (1) *Counterfeit \$10 Note:*

*Type 1.* No red or blue dots. In rare instances these are also missing from genuine notes. On the reverse side of the genuine bill a period appears after the word regulations. This period is missing from the counterfeit bill. On the reverse side of the genuine bill the 13 stars in the US seal have distinct points when seen under a magnifying glass; whereas on the counterfeit bill the stars appear as dots. The workmanship of this bill is fair.

*Type 2.* The counterfeit has red and blue dots, put on with ink over the printing. In the genuine notes the dots are part of the paper and therefore under the printing. On the front in the lower right-hand corner of the genuine certificate is a scroll, the left end of which looks like a snail shell. The center of this apparent shell has well defined black lines. The counterfeit has a black dot. The workmanship of this type of \$10 counterfeit is quite poor.

• (2) *Counterfeit \$5 Note:*

The \$5 counterfeit is apparently printed from the same plate as the Type 1 \$10 counterfeit, and its characteristics are the same.

b. While possession of old MPC's is normally prima facie evidence of proper acquisition if held by authorized persons, nevertheless military and civilian administrators concerned with this conversion will take due notice of excessive amounts proffered by individuals. A written record will be made of all individuals disclosing ownership of \$1,000 or more in old MPC's and a brief statement will be taken from such persons as may seem appropriate to the administrator concerning monthly net pay received in the theater, length of accrual period, average monthly expenditures, special or otherwise significant money transactions creating increasing or reducing effect, etc.

c. Apparent irregularities susceptible of possible corroboration by official means, tender of counterfeit notes, tender of palpably excess amounts whether more or less than \$1,000, should result in withholding of conversion, impounding of questioned funds against separate receipt

(ND, AGO Form 14-44), and investigative action under paragraph 5b above. The question of holding or confinement of individuals pending investigation is for decision by local commanders.

11. *Performance Report*: A performance report in writing by each responsible officer (company commander, chief of staff section, etc.) should be made at the close of the "X" day turn-in; report will include summary of actions taken in discharge of his responsibility as well as a roster of the name and amount turned in by each individual, together with names of all personnel of unit, organization, or section, who were unable to effect turn-in during the prescribed period on "X" day, and reasons therefor. This report should be forwarded to the community commander for filing and future reference.

BY COMMAND OF GENERAL McNARNEY.

G. R. HÖBNER,  
Major General, GSC,  
Chief of Staff.

Official:

Robert F. Shearer.  
ROBERT F. SHEARER,  
Major, AGD,  
Assistant Adjutant General.

DISTRIBUTION: F (Reduced)

#### ADVANCES OF CURRENCY TO FRENCH

14 JANUARY 1947

From: OMGUS Berlin sgd Clay.  
To: War Department for WDSCA ES.  
Info: COMGENUSFET.  
Nr: CC 7667.

Rourads W 88651, WX 89374 and our CC 7598.

1. Currency section records show following denominational break-down mark advances to French. These figures cover both 670,938,650 marks advanced to French army and 44,540,000 marks advanced to French Government: 2,904,000 pieces one-half mark denomination amounting to 1,452,000 marks, 6,640,000 pieces one mark denomination amounting to 6,640,000 marks, 4,848,000 piece five mark denomination amounting to 24,240,000 marks, 4,480,000 pieces ten mark denomination amounting to 44,800,000 marks, 2,572,000 pieces twenty mark denomination amounting to 51,440,000 marks, 3,672,000 pieces fifty mark denomination amounting to 183,600,000 marks, 4,032,000 pieces one hundred mark denomination amounting to 403,200,000 marks and an unknown number of pieces amounting to 106,650 marks making a total of 715,478,650 marks.

Last item, 106,650 marks of unknown denominations, represents funds held by First French Army Military Government Detachment, break-down of which cannot be ascertained from our records.

2. In billing French for cost printing and delivery, you may also wish to take account of 2,319,180,000 Marks delivered to French authorities upon dissolution of SHAEF. Complete denominational break-down this figure can be furnished upon request.

End

Action: CAD.  
Info: ASW, P & O, SSP, FIN, BUD.

## INFORMATION FOR CONGRESS ON OCCUPATION CURRENCY

18 JANUARY 1947

Civil Affairs Div. 311.23 CAD  
Mr. Hartley 73766

COMGSNUSFET, Frankfurt, Germany.

COMGENUSFA, Vienna, Austria.

Number: WARX 90088.

From: WDSKA ES.

Interest of Congressional Committees and Govt. Agencies indicate necessity of obtaining, as of 31 Dec 46, fol info, if available:

Amount of Allied Mil Marks (Allied Mil Schillings) disbursed in US, British, and French Zones for all purposes other than directly to Mil Forces of Occupation, distinguishing

(A) Advances to German (Austrian) Governmental Bodies in each Zone.

(B) Reserves made available to German (Austrian) Banking System in each Zone and

(C) All others.

Originator: CAD.

Distribution: ASW, P &amp; O, Fin, Bud, LLD.

## EXCHANGE OF MILITARY PAYMENT CERTIFICATES

3 FEBRUARY 1947

Budget Division, WDSS, Foreign Financial  
Branch, WDSBU 123.7 (23 Jan. 47), Lt. Col.  
Feyeroisen, 73289

COMGENUSFET, Frankfurt, Germany.

INFORMATION:

WBS Paris, France.

Nr: WARX 91930.

COMGENUSFET for action and WESBASESEC for OFLC for info from WDSBU.

This reply to SX 1631 of 23 January 1947.

Exchange of Military Payment Certificates for local currencies to representatives of allied and neutral governments interested in inspecting property in occupied zone by US Army cannot be authorized.

Issuance of MPCs against credit arrangements of foreign governments with OFLC cannot be authorized.

MPCs are "for use only in United States military establishments by US authorized personnel in accordance with applicable rules and regulations" WD Circular 256. The War Department in implementation of Circular 256 divested itself of role of international banker and it does not desire to again commence to accumulate foreign currencies in its official accounts as a result of further banking operations of the nature proposed.

MPCs are not for use by OFLC and should not be issued to or by agencies other than US Army and Navy.

In the event the theater commander should, in exceptional cases, allow certain foreign nationals to use Army facilities, such facilities must be purchased with MPCs which are originally acquired with US dollars or dollar instruments from US Army Finance Officers.

End

Originator: BUD.

Distribution: AAF, ID, P & O, SSP, FIN, FLC.

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INTERIM COMMERCIAL RATE OF EXCHANGE FOR MARK

12 FEBRUARY 1947

Joint Chiefs of Staff  
Capt M M Stephens USN  
WD Ext 77500

OMGUS, Berlin, Germany.

Information: CG, USFET, Frankfurt, Germany.

Nr: WARX 91907.

To Clay for action, to McNarney for information from the Joint Chiefs of Staff.

The following received from the State, War, and Navy Departments is forwarded in reply to your CC 6672, and CC 6702:

"1. Your request for establishment interim commercial rate of exchange of one mark equals 30 cents cannot be approved. Fundamental changes in German economic and financial conditions regarded as prerequisite to establishment rate have not yet taken place and establishment interim rate therefore regarded here as premature.

"2. Difficulties created by absence of exchange rate are, however, fully recognized. Procedure outlined below authorized to obviate these difficulties insofar as practicable.

"3. In order to obtain uniformity of treatment in the four zones of occupation, you are authorized to obtain, if possible, Allied Control authority approval of use of conversion factor of one mark equals 30 cents (E. G., mark price times  $3/10$  equals dollar price) for the purposes outlined below, subject to the following principles. It is intended that this conversion factor may be used, when and as deemed desirable, in any zone of occupation with an effective understanding, either formal or implicit, that any of the four occupying powers may abandon the conversion factor originally agreed upon, by simple notification to Allied Control authority in advance of such abandonment. This approach to the subject is deemed necessary to avoid the possibility that the level at which the conversion factor is originally agreed upon may, as further developments take place, no longer conform to German price levels, while at the same time formal agreement may not be promptly attainable in Allied Control authority to a change in the conversion factor originally established. Conversion factor is to be used for following purposes:

a. Conversion of value of liquidated German external assets into reichsmarks for purpose of determining compensation due German owners.

b. Determination reichsmark amounts due repatriated prisoners of war holding military payment orders.

c. Determining prices rail and water transit services and other services exported, keeping telecommunications and postal accounts, etc.

d. Pricing of merchandise exports only when prices cannot be readily determined by reference to prices prevailing in world markets or in U. S. or U. K., provided use of conversion factor results in prices advantageous to OMGUS.

4. Since it has been decided that there will be no change in the military conversion rate for the present, purchases of marks by foreign business firms and missions operating in Germany and for such other remittances as may be authorized should be at the rate of 10 marks equals one dollar. Any lesser rate might result in military personnel being used as channel to gain more advantageous military rate.

"5. It should be made clear the U. S. considers conversion factor not to be of same nature as an exchange rate for mark but simply as flexible device to assist in accomplishing certain international transactions in period prior to establishment exchange rate; also that level at which conversion factor may be set is not prejudicial to determination of rate at which exchange value of mark is later established."

"End of message"

Originator: JCS.

Distribution: AAF, Adm Leahy, ASW, CAD, ID, Adm Nimitz, P&O, SSP, BUD, CSA.

HEADQUARTERS,  
U. S. FORCES, EUROPEAN THEATER,  
9 March 1947.

## CIRCULAR NUMBER 19

### CURRENCY CONVERSION

1. General: a. There will be a currency conversion program on 10 March 1947. This date will hereinafter be referred to as "X" day. The purpose of this program is to take up all current-type MPCs (hereinafter referred to as old MPCs) issued pursuant to Circular 130, this headquarters, 13 Sep 1946, and to substitute therefor a new type of MPCs (hereinafter referred to as new MPCs). Old MPCs are officially designated as series 401 MPCs.

b. Only authorized personnel will be benefited and/or affected by this conversion program. The provisions of this circular constitute continued implementation of Circular 256, War Department, 23 Aug 1946. Authorized personnel are those individuals defined in paragraph 4, Circular 256, War Department, 1946. Directly applied to the circumstances of this theater, authorized personnel are those individuals separately authorized by competent authority to purchase from, or otherwise patronize, US military or naval messes, exchanges; stores, commissaries and/or other US army or navy facilities as evidenced by issuance or possession of appropriate mess cards or permits, or ration certificates, or by reason of enabling theater directives (see Circular 165, this headquarters, 8 Nov 1946).

c. Insofar as possible the collection of old MPCs from individuals by personnel and civilian payroll certifying officers, finance officers,

etc. (see par 4, below) as a preliminary to substitution of new MPCs will take place between 0500 and 1400 hours "X" day.

d. To facilitate this conversion program all echelons of command will, during the period "X" day through "X"+2, hold to a minimum with due regard to other paramount considerations of an official and personal character, all departures by individuals from permanent stations on TDY, PCS, leave, etc. until old MPCs taken up on "X" day have been substituted for with new MPCs under the procedures set forth herein.

2. *Description of New MPCs*: A description of the new MPCs will be announced at a later date.

3. *Suspension of Business with Old MPCs and Resumption of Business with New MPCs*. a. Effective 0001 hours "X" day new MPCs will be the money medium required to be used in all business transactions involving the payment, exchange, or transmission of funds in all US military and naval facilities (such as AES installations, clothing stores, liquor stores, post offices and similar facilities) and in commercial licensee facilities, etc. Limited exemption from this rule is contained in subparagraph b below.

b. Old MPCs will, however, continue to be acceptable for the following transactions for the limited periods from and after "X" day as indicated.

(1) Those transactions pertaining to the exchange of old MPCs for new MPCs as outlined in paragraphs 4 to 7 inclusive below.

(2) Through "X"+2; mess operations; meal service on military trains, etc.

(3) Through "X"+2: special conversions of old MPCs necessitated by essential departure of personnel on PCS or TDY in the country other than the one in which presently located. In these cases only, US army or navy finance officers will:

(a) Upon presentation of travel orders, cause the individual to surrender all his legitimate old MPCs;

(b) Reimburse the individual for old MPCs surrendered pursuant to (a) above in US dollar currency and/or Treasury checks (or in now MPCs or other foreign currency if specifically requested).

4. *"X" Day Operations Collections and Deposit of Old MPCs*.

a. Between 0500 hours and 1400 hours each authorized person *who is paid from US Army or Navy* appropriated funds will turn in to the personnel officer (in the case of military and naval personnel) and to the civilian pay-roll certifying officer (in the case of civilian personnel) his legitimate holdings of old MPCs, retaining at least a sufficient amount for the payment for meals in messes, through "X"+2. Personnel officers of organizations down to and including regimental (or equivalent level) and in addition down to company or similar unit level as hereinafter indicated (see subparagraph e below), will have primary responsibility in this operation for both officers and enlisted personnel. Civilian pay-roll certifying officers will have similar primary responsibility in respect to civilian personnel. (NOTE: For authorized personnel *not* paid from US Army or Navy appropriated funds and *all* authorized transients, see subparagraph d below). Only old MPCs will be accepted by personnel and civilian pay-roll certifying officers,

b. The accepting personnel or civilian pay-roll certifying officer will prepare and sign WD AGO Form No. 14-44 (Receipt for Miscellaneous Collections), in triplicate, for the amount surrendered pursuant to

subparagraph a above. The receipt will show the name, grade, army serial number, organization and APO number of the person turning in the money; the date, name, grade, symbol number and APO number of the accountable US army or navy disbursing officer to whom collections are to be remitted. If funds are turned in to a Class B agent finance officer, the symbol number may be omitted. The original of such receipt will be given to the individual and the duplicate and triplicate copies retained with the money collected.

c. Promptly after completion of the operations prescribed in subparagraphs a and b above, personnel and civilian pay-roll certifying officers will prepare a summary change list, in duplicate, indicating the various denominations (\$10, \$5, \$1, halves, quarters, dimes, etc.), and the respective total amounts of each denomination which they expect to receive from the finance officer in new MPCs in order to enable distribution of appropriate amounts to the holders of cash receipts. The total funds collected, together with duplicate and triplicate copies of the receipts and the original summary change list, will be deposited with the accountable disbursing officer or his Class B agent finance officer if local finance service is provided by such agent. The finance officer, upon receipt of funds with duplicate and triplicate signed copies of WD AGO Form 14-44 and original summary change list, will place his *brief stamp* or other suitable identifying stamp on both copies of WD AGO Form 14-44, the triplicate of which will be returned to the personnel or civilian pay-roll certifying officer, together with a *separate summary* receipt on WD AGO Form 14-44 signed by the finance officer for the full amount of funds received. The summary receipt will show the total number of imprinted receipts covered thereby in addition to other essential data thereon required. The finance officer should especially insure, incident to his own function, that the telephone number of the submitting personnel or pay-roll certifying officer appears at the bottom of either the WD AGO Form 14-44 or the change list.

d. *Authorized personnel (including foreign Liaison Groups) who are not paid from US Army or Navy appropriated funds and authorized transients whether or not so paid.*

(1) *Authorized personnel not paid from US Army or Navy appropriated funds.* (a) *Administrative agencies* are responsible for accomplishing the action outlined in and adhering to, the applicable provisions of subparagraphs a to c above for their personnel. *This includes foreign liaison groups.* The administrative officer of such agencies will deposit turn-ins directly with US Army disbursing officers or Class B agent finance officers substantially as set forth in subparagraph c above using for the purpose such form of individual receipts as may be prescribed by the agency concerned.

(b) Individuals attached will, for the purpose of this operation, be regarded as transients and will be dealt with as provided for such transient personnel in (2) below.

(2) *Authorized transients whether or not paid from US Army or Navy appropriated funds.* For personnel who must necessarily be away from home organizations for all of the "X" day turn-in period, the commanding officer of a unit or chief of the staff section at which they are present, the officer in charge of their temporary billet, or when the foregoing is impracticable, the officer in charge of the nearest RTO will be responsible for collection, under procedures set forth in

sub paragraphs a to c above, of old MPCs in transients' possession and return to them of new MPCs under the procedures contained in paragraph 6 hereof. For this purpose the designated receivers will function as temporary personnel officers. Officers performing this duty will obtain proper identification and will forward name and amount of the conversion to the commanding officer or section chief of the person concerned. Performance reports in accordance with paragraph 11 below apply. Unit commanders or section chiefs will be responsible for collection of remainder of transients' currency when transients return to permanent station. Grace period procedures in paragraph 7 will apply as may be necessary.

e. Sufficient *acting* or temporary personnel and civilian payroll certifying officers will be appointed by commanders for the foregoing operations to insure expeditious collection of old MPCs. This will include such provision for companies and similar units within regiments or equivalent organizations, for staff sections of divisions and higher command echelons, for *patients in hospitals and personnel in confinement*, etc. Old MPCs will not be turned in directly to the disbursing officer or his Class B agent finance officer by other than appointed personnel and civilian payroll certifying officers, and the administrative officers referred to in paragraph 4d (1) (a) above, except as authorized in paragraph 3b (3) above.

f. Each exchange officer, postal officer, sales officer, custodian of unit funds, commercial licensee, etc., will deposit all legitimate holdings in old MPCs with a disbursing or Class B agent finance officer. With such deposit will be furnished a certificate stating that funds so deposited are the assets of old MPCs of the activity or fund concerned (precise fund title will be stated) on the date of the deposit and that such statement is corroborated by the official records of such activity or fund. The disbursing officer will in turn reimburse the depositor by Treasury check and/or new MPCs, either or both, equivalent to the amount deposited. In the case of Class B agent finance officers, the reimbursement will be in new MPCs only.

5. *Completeness and Integrity of Collection of Old MPCs; Responsibility and Time Limitations:* a. Except as modified by sub paragraph e below, it is the duty of *personnel and civilian payroll certifying officers* to effect a single complete collection pursuant to paragraph 4 above of old MPCs from individual holders by not later than 1400 hours "X" day.

b. If individual insists that all of his holdings of old MPCs are not on his person, the immediate commanding officer, if claimant is a military individual, or his branch or division chief, if claimant is an authorized civilian, will ask him to make a brief statement in writing over his signature indicating the amount of added holdings of MPCs claimed to be elsewhere. This record will be filed by the unit commander or branch or division chief with the local office records for future reference.

c. Retail facilities such as exchanges, clothing stores, clubs, licensee facilities, messes, commissaries, etc., will effect one complete conversion of old MPCs to new MPCs as soon after 0500 hours "X" day as is convenient. This will be by direct contact with the local finance office. Until this conversion is accomplished such facilities, except messes, will be without authority to engage in cash retail transactions after 0001 hours "X" day.

d. Messes will effect one additional conversion of old MPCs for new MPCs by direct contact with local finance office not later than "X"+4. The old MPCs to be converted will be only those accepted from authorized individuals pursuant to paragraph 3b above.

e. Transients and absentees unable to surrender old MPCs to qualified receivers on "X" day, by reason of travel or leave status under orders in places where conversion service on "X" day is inaccessible, will comply with the grace period provisions of paragraph 7 below.

6. *Repayment of New MPCs to Authorized Individuals, Funds and Retail Agencies:* a. The personnel or civilian pay-roll certifying officers, and the administrative officers referred to in paragraph 4d (1) (a) above, will return to the accountable disbursing or Class B agent finance officer concerned the separate WD, AGO Forms 14-44 covering the total amounts of funds previously deposited, and will draw the equivalent amounts of such funds in new MPCs. This will be done promptly upon receipt of notification from the finance officer that new MPCs are ready for withdrawal, which may be at any time after 001 hours "X" day. The personnel, civilian pay-roll certifying and administrative officers will thereafter promptly deliver such new MPCs to the individuals upon surrender of the original copy of the receipt WD, AGO Form 14-44 or other form utilized by the administrative agency concerned) previously furnished them.

b. Clubs, funds, retail activities, etc., will secure new MPCs in exchange for old MPCs by direct contact with the local finance office as indicated in paragraph 5 above.

7. *Grace Period:* a. It is intended that all authorized personnel will turn in old MPCs between 0500 hours to 1400 hours "X" day to personnel or civilian pay-roll certifying officer. However from "X"+1 to "X"+10 inclusive, exchanges of old MPCs may be effected directly by finance officers provided the individual legitimate reasons, confirmed by his immediate commanding officer or administrative superior, for not having accomplished exchange on "X" day. Subsequent to "X"+10 no exchanges will be made without separate written authorization of this headquarters, except that:

(1) In the case of personnel on TDY or authorized leave during the period "X" through "X"+10 inclusive in such areas where it was impossible for them to have received the information and effected the conversion, the personnel involved will be advised immediately upon return to their organizations and a special grace period of not to exceed forty-eight (48) hours immediately following such return, will be allowed for accomplishing turn-ins direct to finance officers. Finance officers are empowered, in such instances, to accept written authorizations of returnees' immediate commanding officers or administrative superiors to make the necessary exchange, provided such authorizations clearly cite TDY, leave, etc. during the period "X" through "X"+10 inclusive.

(2) Personnel who on "X" day are on temporary duty in, or permanently stationed at, localities where US military or naval facilities are not available, such as may apply to individuals in American Graves Registration Command, etc., will comply with (1) above.

8. *Special Authority to Licensed Commercial Concerns:* Such concerns are authorized effective 0001 hours "X" day to provide services to authorized individuals and agencies described in their licenses provided payment is made for such services only in new MPCs.

9. *Procedural Latitude*: The preceding procedures are designed to provide an orderly and systematic method of accomplishing collection of old MPCs and prompt repayment in new MPCs. Local commanders, however, are authorized, upon recommendation of the fiscal or finance officers, and in the interest of dispatch without sacrifice of integrity of collection and accounting safety, to make compatible substitutions in such procedures. WD, AGO Form 14-44, modified as necessary in conformity with the foregoing, may be reproduced locally.

10. *Limitations, Counterfeits, Discipline*: a. All concerned personnel and civilian pay-roll certifying officers, administrative officers, finance officers, etc., are cautioned concerning the growing circulation of counterfeit old MPCs. Information to this effect has been disseminated but it is stressed again that the immediate identifying characteristics of the fraudulent MPCs are:

(1) *Counterfeit \$10 Note*:

*Type 1*. No red or blue dots. In rare instances these are also missing from genuine notes. On the reverse side of the genuine bill a period appears after the word regulations. This period is missing from the counterfeit bill. On the reverse side of the genuine bill the 13 stars in the US seal have distinct points when seen under a magnifying glass; whereas on the counterfeit bill the stars appear as dots. The workmanship of this bill is fair.

*Type 2*. The counterfeit has red and blue dots, put on with ink over the printing. In the genuine notes the dots are part of the paper and therefore under the printing. On the front in the lower right-hand corner of the genuine certificate is a scroll, the left end of which looks like a snail shell. The center of this apparent shell has well defined black lines. The counterfeit has a black dot. The workmanship of this type of \$10 counterfeit is quite poor.

(2) *Counterfeit \$5 Note*:

The \$5 counterfeit is apparently printed from the same plate as the Type 1 \$10 counterfeit and its characteristics are the same.

b. While possession of old MPC's is normally prima facie evidence of proper acquisition if held by authorized persons, nevertheless military and civilian administrators concerned with this conversion will take due notice of excessive amounts proffered by individuals. A written record will be made of all individuals disclosing ownership of \$1,000 or more in old MTCs and a brief statement will be taken from such persons as may seem appropriate to the administrator concerning monthly net pay received in the theater, length of accrual period, average monthly expenditures, special or otherwise significant money transactions creating increasing or reducing effect, etc.

c. Apparent irregularities susceptible of possible corroboration by official means, tender of counterfeit notes, tender of palpably excess amounts whether more or less than \$1,000, should result in withholding of conversion, impounding of *questioned* funds against separate receipt (WD, GO Form 14-41) and investigative action under paragraph 5b above. The question of holding or confinement of individuals pending investigation is for decision by local commanders.

11. *Performance Report*: A performance report in writing by each responsible officer (company commander, chief of staff section, etc.) should be made at the close of the "X" day turn-in; report will include summary of actions taken in discharge of his responsibility as well as a roster of the name and amount turned in by each individual, together

with names of all personnel of unit, organization or section, who were unable to effect turn-in during the prescribed period of "X" day, and reasons therefor. This report should be forwarded to the community commander for filing and future reference.

By COMMAND OF GENERAL McNARNEY:

C. R. HUEBNER,  
Major General, GSC,  
Chief of Staff.

Official:

ROBERT F. SHEARER,  
Major, AG,  
Assistant Adjutant General.

Distribution: F (Reduced).

#### CONVERSION OF OCCUPATION CURRENCY

Ref No. WX3112.

PARA ONE PD PARA SEVEN CMA USFET CIRCULAR NINETEEN DATED NINE MARCH NINETEEN FORTY SEVEN IS BEING AMENDED AS FOLLOWS: CLN ABLE PD PARA SEVEN ABLE CLN PAREN ONE UNPAREN INSERT A PERIOD AFTER WORD QUOTE HEADQUARTERS UNQUOTE IN LAST LINE PD PAREN TWO UNPAREN DELETE WORDS QUOTE EXCEPT THAT UNQUOTE FOLLOWING THE WORD QUOTE HEADQUARTERS UNQUOTE IN THE LAST LINE PD PAREN THREE UNPAREN DELETE SUB-PARAGRAPHS PAREN ONE UNPAREN AND PAREN TWO UNPAREN PD BAKER PD ADD PARA SEVEN BAKER PD QUOTE REQUEST FOR CONVERSIONS SUBMITTED SUBSEQUENT TO X-RAY PLUS TEN MUST BE IN WRITING CMA CONFIRMED BY THE INDIVIDUALS IMMEDIATE COMMANDING OR ADMINISTRATIVE SUPERIOR AND SUBMITTED TO THE OFFICE THEATER CHIEF OF FINANCE CMA THRU THE LOCAL DISBURSING OFFICER CMA FOR APPROVAL UNQUOTE PD PAREN SIGNED MC-NARNEY CITE ET FDD UNPAREN CHARLIE PD ADD PARA SEVEN CHARLIE PD QUOTE FINANCE OFFICERS WILL DECLINE TO ACCEPT PD QUOTE FINANCE OFFICERS CMA REFERRED TO IN PARAGRAPHS ABLE AND BAKER ABOVE CMA IN EXCESS OF ONE THOUSAND DOLLARS UNLESS SUPPORTED BY APPROVED BOARD ACTION PD

Distribution:

AG RECORDS (1).

OTCFIN (1).

SMC (1).

Coordinated with:

Priority.

Office Theater Chief of Finance.

R. B. Commer, Colonel, FD, 3-3256.

## MILITARY PAYMENT CERTIFICATES

12 APRIL 1947.

From: OMGUS, Berlin, Germany sgd Keating.

To: War Department.

Info: EUCOM, Frankfurt, Germany.

Nr. CC 8787.

Subject is use of military payment certificates.

1. As from 1st May we propose to sell German rail transportation to U. S. Occupation Personnel, not on official duty travel, against dollars for this purpose we propose sale of special tickets against military payment certificates by 65 offices of the Deutsches Reisebüro and possibly also by American Express and other authorized Non German Travel Agencies. The Deutsches Reisebüro is an independent German Travel Agency and is principal seller of German railway tickets. Proposed controls for their operation are in our opinion completely adequate to prevent any leakage of military payment certificates into unauthorized channels. Entire military payment certificate revenue from this operation will be converted to marks through Army overdraft account.

2. 1st April marked opening International Telecommunications Services. This will not involve transactional communications pending quadripartite approval.

3. Even before completing arrangements envisage our CC 7958 we have completed temporary arrangements whereby American carriers will transmit outward telecommunications picked up by Reichspost offices.

4. In addition to Reichspost offices receiving outward telecommunications from persons authorized to send such telecommunications paying in marks, and in addition to offices of American carriers temporarily continued in operation and receiving outward telecommunications paid for in military payment certificates as at present. We propose to have certain Reichspost offices authorized to receive outward telecommunications which will be paid for in military payment certificates.

5. Use of Reichspost offices for this purpose will require certain regulations.

A. Use of this special service will be restricted to:

1. Persons holding AGO cards, which will include representatives of missions accredited to OMGUS.

2. Persons holding valid United States passports and United States Army Travel Orders.

3. Persons holding valid Allied or Neutral passports and United States Army Travel Orders.

B. Reichspost Offices giving this service will be in a special office away from other Reichspost Offices handling telecommunications paid for in marks.

C. Offices will carry sign "Special Telecommunications Services made available by military Government for Germany (United States/United Kingdom)."

D. All military payment certificates collected by these offices will be transmitted in sealed containers under complete control of banks having accounts in the name of Military Governments for Germany (United States/United Kingdom).

6. It is understood the British propose to have similar offices in the British Zone where payment for telecommunications will be made in British Military scrip. Arrangements outlined above will be applicable only to the United States Zone.

7. Telecommunications handled by Reichspost and paid for in military payment certificates will be of two classes, outward International Telecommunications, and Special Service Internal Communications. Tariff for International Telecommunications will be official international gold franc rates converted to dollars. Tariff for internal communication will be a special dollar tariff having no necessary relation to the mark tariff for similar communications.

8. We propose to introduce this service as from 1st May. We desire at this time to authorize a few Reichspost offices to receive outward telecommunications, which will be paid for in Military payment certificates, both because we wish to expand the number of receiving offices above the number now operated by American carriers and because we wish to begin the Reichspost operation in a transition period in order that we may work out in practice all necessary procedures and safeguards.

9. This office will enter into arrangements with the Chief of Finance, FUCOM, for return of equitable portion of military payment certificate revenues accruing from this plan through purchase of marks in Army overdraft account.

10. Any plan to utilize marks for these purposes could not contain guarantee that the marks would be obtained from official sources.

End

Action: CAD.

Info: AAF; ASW; ID; P & O; SSP; BUD; FIN.

#### SALES OF TRANSPORTATION SERVICES IN GERMANY

Budget Division, WDSS  
Foreign Financial Branch  
WDSBU 125, 73289  
Lt. Col. Feyereisen

23 APRIL 1947.

OMGUS, Berlin, Germany.

Information: HQ EUCOM, Frankfurt, Germany.

Nr: WARX 96730.

From WDSBU. Reurad CC 8787 of 12 April 1947.

1. Proposal to sell German rail transportation to US occupational personnel, not on official duty status is approved as proposed with assurance that

(A) Controls are completely adequate to prevent leakage of MPCs into unauthorized channels, and

(B) Equivalent marks for reimbursement to German railroads will be acquired from the official holdings of US Army Finance officers.

2. Proposal to establish telecommunications handled by Reichspost and paid for in MPCs is approved as proposed with assurance that

(A) Controls are completely adequate to prevent leakage of MPCS into unauthorized channels, and

(B) Equivalent marks as reimbursement to German Reichspost for all telecommunication service provided inside borders of US zone Germany will be acquired from the official holdings of US Army Finance officers.

3. Request info if other than ten to one rate will be used.

End

Originator: BUD.

Distribution: AAF; ASW; CAD; ID; P&O; SSP; FIN.

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MARK ADVANCES TO ALLIED GOVERNMENTS

24 APRIL 1947.

From: OMGUS, Berlin, Germany, sgd Keating.

To: War Department for WDSCA.

Nr: CC-8902.

Subject is mark advances to Allied Governments by currency section OMGUS. Recourad CC 7499 and urad WX 93600 as of 31 March 1947 books of currency section reflected following Allied military mark advances to Allied Governments:

Czechoslovakia, 506,490 Allied military marks.

Netherlands, 318,596.65 Allied military marks.

Poland, 103,205,000 Allied military marks.

Soviet Union, 3,061,320 Allied military marks.

Total, 107,091,406.65 Allied military marks.

2. Subsequent to 31 May 1946, following action completed on advances listed ourad CC 7499:

Belgium repaid its advance with Allied military marks;

French advances considered as Allied military mark currency made available to France and eliminated from books;

Mark advances to Czechoslovakian, Brazilian and Danish military missions repaid by them with dollar instruments as agreed.

Refer to monthly currency section report submitted by finance division for details.

3. Urad WX 93600 indicated no action necessary at that time. However since advances listed para 1 are now dormant and future similar advances not contemplated, request to know whether further information is available regarding settlement these advances.

4. In view of complete repayment by Belgium from Allied military marks in its possession, it is possible that other advances should similarly be repaid by Governments concerned.

5. This office is still without definite information concerning the terms under which these advances were negotiated or agreements relative to their repayment. Other available references bearing on subject are urads WX 40690, W 26302, WX 72323, WX 68176 and USFET S-13713. Such references apparently incomplete and personnel most familiar long since redeployed.

6. Full details regarding amounts, dates, recipients of advances listed paragraph 1 can be furnished if requested.

End

Action: CAD.

Info: ASW; ID; P & O; SSP; FIN; BUD.

## LETTER FROM SENATOR KNOWLAND TO THE SECRETARY OF WAR

17 MAY 1947.

From: CINCEUR, Berlin, Germany, sgd Clay.

To: War Department Personal for Noce.

Nr: CC 9211.

I have received a letter from Senator Knowland enclosing a copy of a letter which he wrote to the Secretary of War on 3 May relative to the number of large size notes found in the American Zone. This question was asked me when I appeared before the Senate Committee to investigate the National Defense program. I asked the Civil Affairs Division to ascertain and send the correct answer to the committee as I did not have it in mind. Apparently the answer was never given to the committee. I would appreciate it if it is agreeable to the Secretary that you apologize to Senator Knowland for me and give him the information herewith. Neither US nor UK Military Governments issued 500 or 10,000 denomination mark notes nor did we utilize 1000 mark notes to any material extent. Of course we have no way of knowing how many large denomination allied military mark notes may be in the pockets and safe deposit boxes of Germans. However, the total number of 1000 mark allied military notes held by banks in the US Zone aggregated 10,354 in December 1945, 35,940 in June 1946, and 46,022 in March 1947. In addition the Land Bremen had approximately 2,900 of the 1000 mark allied military notes. It may be of interest to Senator Knowland to know that on 31 December 1946 the banks in the United Kingdom Zone found 151,000 of these notes in the City of Berlin, 120,000 in December of 1946. It was estimated that the banks in the Soviet Zone exclusive of savings banks held in excess of 1,600,000 of these notes on September 30th 1946.

End

Action: CAD.

CIRCULAR No. 38

HEADQUARTERS,  
EUROPEAN COMMAND,  
APO 757, 27 MAY 1947.

CURRENCY TECHNIQUE ON PAYMENTS, COLLECTIONS, NEGOTIATION,  
ACQUISITION, EXCHANGES

1. *Rescission.* Cir. 130, Hq USFET, "Military Payment Certificates," 13 Sept. 1946, is rescinded. The applicable directive relative to the above subject is Cir. 256, WD, 23 Aug. 1946, "Military Payment Certificates."

2. *References.* In addition to the War Department publication cited in Par 1, above, reference is made to the following War Department and USFET circulars:

- a. Cir 61, WD, 5 Mar. 1946.
- b. Cir 83, WD, 22 Mar. 1946.
- c. Cir 159, WD, 1945.
- d. Cir 140, Hq USFET, 26 Sept. 1946.
- e. Sec. V, Cir 153, Hq USFET, 15 Oct. 1946.
- f. Cir 165, Hq USFET, 8 Nov. 1946.

g. Cir 19, Hq USFET, 9 Mar. 1947.

3. *Purpose.* The purposes of this circular are as follows:

a. To establish Cir 256, WD, 23 Aug. 1946 as the governing directive in this command insofar as Military Payment Certificates are concerned.

b. To set forth implementing provisions with respect to Par 3a.

c. To affirm essential currency relations between this command and accredited US and other non-indigenous commercial licensees established in the US occupied zones.

d. To outline authorized departures from Military Payment Certificate system with regard to detachments and nuclei of U. S. Forces retained in neutral and liberated areas after inactivation of U. S. military commands and establishments in such areas.

4. *Implementation of Par 3a (3), (5), (6), and (7) and Par 8a, c and g Sec II, Part II, Cir 256, WD, 23 Aug. 1946.* The personnel determined to be subject to the provisions of Cir. 256, WD, 1946, are those individuals who are separately authorized, by competent authority, to purchase from, or otherwise patronize, US military or naval messes, exchanges, stores, commissaries and/or other US Army or Navy Facilities as evidenced by the issuance or possession of appropriate mess cards or permits, or ration certificates, or by reason of enabling directives of this command (see Cir 165, Hq USFET, 8 Nov 1946, as amended).

5. *Applicability and Limitations of Military Payment Certificates System.* a. The system of Military Payment Certificates is applicable in all areas in the command where pay service is rendered by US military or naval disbursing officers and their agents, as distinguished from US military attachés or disbursing units operating primarily under the jurisdiction of US military attachés.

b. Except where the War Department has separately granted exemption from the Military Payment Certificate system to US military attachés, Military Payment Certificates will be the approved monetary medium for settlement of accounts with this command on account of reimbursable logistical support provided to enable maintenance of Army-sponsored retail facilities benefiting US military attachés, their staffs, and official associates. If War Department exemption from the Military Payment Certificates system exists, this command will accept settlement by US dollars or other approved dollar instruments.

6. *Payment by US Treasury Check to Individuals in Special Cases.* a. After deactivation of the US military commands and installations in neutral and liberated areas, particularly subsequent to closure of US military or naval retail facilities, individuals, detachments, nuclei, etc., of the US military or naval forces retained in neutral and liberated areas will no longer receive payment in Military Payment Certificates. The approved method of payment in such cases is by US treasury check or checks drawn payable to individual payees, or payable to a foreign bank for negotiation by a designated payee, if official comity requires this arrangement. US military and naval finance officers and personnel officers will collaborate closely to determine the most convenient means for delivery of checks to payees. Finance and/or personnel officers may employ any of several methods to accomplish this end as follows:

(1) By indicating in payroll remarks under each individual's name the fact that check payment is desired, and stating the forwarding address in each case. The personnel officer will then effect delivery of the checks by regular or special courier to each payee concerned.

(2) By mailing checks in official War Department envelopes to payees (pursuant to pay roll process in Par 6a, above), in the APO system. This method will be used when the courier system at any given time and place is disclosed as cumbersome or untrustworthy. Delivery through the mails will take place direct from the Finance Office.

(3) By omitting pay-roll remarks under individual's name, relative to mode and place of delivery, but inscribing a summary remarks at the end of the pay roll substantially as follows:

"Individual US treasury check should be drawn payable to (or negotiable by) the individuals listed on this pay roll. Delivery should be by regular or special courier to ----- (insert name of senior individual in the group to be paid), who will deliver checks to correct payees, or will return undeliverable checks to the paying Finance Officer."

This method is preferred when courier service at regular intervals is assured, especially when the payees are an integrated or semi-integrated group.

(4) By utilizing the services of the Military Attaché. Finance and/or personnel officers will not attempt delivery through the Military Attaché except upon application to and clearance with the Chief of Finance, EUCOM, who will conduct the necessary negotiations. Upon approval of the use of the Military Attaché channel, the pay-roll method will be as prescribed in subparagraph 6a (3) above, except that the name, rank, and official designation of the Military Attaché will be inserted in the blank space provided in the summary pay-roll remark, and except further that the transmission of checks to the Military Attaché will be accompanied by a schedule listing each check by serial number, payee's name, amount of the check, and address to which the check should be forwarded.

b. Under the methods outlined in Par 6a, above, the paying Finance Officer will attach a mimeographed memorandum to each US treasury check drawn, stating substantially as follows:

"This check is to be negotiated only through commercial banks operating in the country where you are situated for duty. You are cautioned not to cash this check unless you are in need of local funds. You are also warned that under current EUCOM directive the Finance Department is not authorized to exchange back to US dollars or dollar instruments, any foreign currency which is excess to your needs. It is your responsibility to confine your local currency holdings to the lowest possible amount which will satisfy current needs. In the event you desire partial payment rather than full monthly settlement of your pay account, or a smaller partial payment than is represented by this check, please consult your personnel officer."

7. *Purchase and Exchange of Foreign Currencies and Traveler's Checks.* a. No general authority exists for the exchange by US Army or Navy finance facilities of foreign currencies (including AM marks or AM schillings) for Military Payment certificates or other dollar instruments, or for the exchange of one foreign currency for another. The Chief of Finance, this command, will announce in appropriate

channels, after ratification by the War Department, those separate cases of authorized exchange and reexchange of currencies, and of authorized advances of pay in foreign currencies to US personnel by foreign disbursing officers. In view of general restrictions which forbid purchase by US Army or Navy disbursing officers of foreign currencies, or the reexchange or acceptance of foreign currencies by disbursing officer, APO's and EUCOM retain facilities, etc., authorized personnel are enjoined to maintain the bulk of their fund holdings in either Military Payment Certificates or other recognized dollar instruments, and to exchange them for only small amounts of foreign currencies from time to time as needed.

b. Needed foreign currencies indigenous to the occupied zones (AM marks and AM schillings) will be purchased by authorized individuals, activities, agencies, etc., including commercial licensees accredited to the US occupational forces, from US Army or Navy finance facilities with Military Payment Certificates or other acceptable dollar instruments. Accredited commercial institutions whose licenses confine source of income to commercial dealings with authorized individuals, activities, agencies, etc., and who properly incur costs payable in AM marks or AM schillings, will maintain records proving defrayal of such costs with AM marks and/or AM schillings procured exclusively from those disbursing facilities. Commercial institutions authorized to derive mixed dollar and mark income will comply with and maintain the accounting records prescribed by their licenses.

c. Needed foreign currencies *other* than those indigenous to the US occupied zones of Germany and Austria will be procured by authorized individuals, activities, agencies, etc., of the US occupational forces, including licensees accredited to the US occupational forces, from US Army or Navy finance facilities to the extent that those facilities possess balances of such foreign currencies. The Chief of Finance, this command, will determine and publicize to finance officers when foreign currency holdings of the US Army are sufficiently low (or nonexistent) to justify the procurement by individuals or agencies, of such foreign currencies through foreign commercial banking channels. Purchase of foreign currencies from banks in the US zones will be covered by other directives. It will be the responsibility of finance officers to point out to individuals and agencies their obligations and privileges under the provisions of this subparagraph.

d. (1) Personnel departing the occupied zone of Germany and Austria on TDY or leave are advised, prior to departure, to convert their entire holdings of Military Payment Certificates to approved dollar instruments, or if desired, to foreign currencies, or, if they prefer, they may deposit their holdings with a US commercial bank in the occupied zone before departure. Many countries have currency import restrictions which place maximum limits on the amount of their own currency which can be taken in by individuals. Finance officers at leave-clearing points will provide information concerning these maxima. Traveler's checks may be procured with Military Payment Certificates only in the US occupied zone. *It will be the responsibility of the individual to convert such checks to local currency only in amounts required for day-to-day expenditures. Any local currency remaining in the possession of the individual may not be exchanged for dollar instruments or other foreign currencies through US Army or Navy facilities.*

(2) Prior currency conversion programs have provided a grace period for personnel on TDY or leave outside the occupied zone of Germany and Austria. This privilege may not be granted in future currency conversion programs.

(3) Personnel placed on temporary duty, or departing on leave, or official travel to Bulgaria, Greece, Hungary, Yugoslavia, Rumania, Turkey or USSR, should contact their local finance office for information as to the type of funds best suited for use in the country or countries to be visited.

*8. Prohibition Against Other Than Authorized Use of Military Payment Certificates.*

a. Military Payment Certificates are not to be used or expended in the local economy or otherwise disposed of except as provided in Cir 256, WD, 1946.

b. US Military Payment Certificates are *not* legal tender in the same sense as US currency. They are merely an *acceptable* currency medium if and when received and employed within the purview of Cir 256, WD, 23 Aug 1946 and of this document. Possession of Military Payment Certificates by authorized personnel as defined in preceding Pars 2 and 4 is normally prima-facie evidence of proper acquisition. However, acceptance of Military Payment Certificates by US Army or Navy facilities either for fund transmission or negotiation in retail transactions conducted (such as payments at commissaries, PX's, messes, etc) will be denied where investigation conducted by competent command authorities discloses improper acquisition. Acquisition from civilian indigenous sources within or outside the occupied zones of Germany and Austria, where the person or agency from whom or from which acquired is not classifiable as "Military" or "Naval" or "Authorized", is *forbidden*. Upon proof thereof by investigation such malfeasance will expose the individual to forfeiture of *user* privileges in the amount of the improper acquisition and, at the discretion of competent authority, to appropriate discipline.

c. Possession of Military Payment Certificates by foreign military, naval or official civilian personnel accredited to this headquarters or its subordinate commands, or stationed in or passing through the US occupied zones of Germany and Austria by authorization of the Commander in Chief, European Command, is prima-facie evidence of proper acquisition only in those cases where their respective governments are parties to current funding arrangements with the Chief of Finance, this command, for procurement of Military Payment Certificates with US dollars or other acceptable dollar instruments. However, approved *use* of Military Payment Certificates by such personnel is contingent upon their possession of mess cards, permits, ration certificates, etc, referred to in preceding Par 4. The Allied Contact Section, this headquarters, and other agencies charged with issuing or authorizing issuance of the various classes of ration cards, mess cards, permits, etc, will withhold issuance or authority to issue in all cases where the Chief of Finance or the Allied Contact Section, this headquarters, do not indicate existence of satisfactory funding arrangements with the concerned countries.

d. Possession of Military Payment Certificates by individuals *after* they have ceased to be classifiable as *authorized* personnel (see preceding Par 4) does not convey the right to negotiate. After termination of authorized status such individuals may no longer employ Mil-

itary Payment Certificates for procurement in US Army or Navy official and quasi-official vending agencies, nor for conversion or exchange to US dollars, or to other valuable or military currencies, or new series of Military Payment Certificates. It will be the responsibility of each person affected by change from authorized status to effect complete negotiation or exchange of Military Payment Certificates in their possession on or prior to the date of the change.

e. Members of US armed forces or civilian personnel who are separated from service or employment, respectively, in the European Command to assume a status not classified as "authorized personnel" should apply to the Finance Officer for exchange of their remaining Military Payment Certificates to US dollars, US Treasury check, or foreign currency of their choosing. This transaction must be completed on or before the date of change of status.

f. US and foreign businessmen possessing authority to travel in the US occupied zone and to purchase and use Military Payment Certificates during authorized presence in the zone are responsible for accomplishing final disposal of their remainder Military Payment Certificates in accordance with procedures described in Par 7d or 8c, whichever is applicable.

9. The Office of Military Government for Germany (US) will issue such legislation as is necessary in implementation of this circular.  
(AG 123.7 GAP-AGO)

By COMMAND OF GENERAL CLAY:

C. R. HUEBNER,  
*Lieutenant General,*  
*Chief of Staff.*

Official:

Wm. E. Bergin,  
WM. E. BERGIN,  
*Brigadier General, USA,*  
*Adjutant General.*

Distribution: F.

---

#### MILITARY MARKS OF 1,000 DENOMINATION

12 JUNE 1947.

From: HQ EUCOM, Frankfurt, Germany, sgd Huebner, cite ECFIN.  
To: War Department.  
Nr: S 5542.

Allied Military marks of 1000-mark denomination is subject; reference WD subject 4, TT 8212, 11 June 47.

1. Disbursing officer prohibited from accepting larger than 100 mark denominations by directive dated 24 April 45. This believed to have generally precluded acceptance of 1,000-mark notes because US Army Disbursing Officers did not pay out that denomination and after entry our troops in Germany it took some time for Russian printed 1000-mark notes to filter to US Troop Areas. Records here show only two notes accepted (18 August 45) and purpose is not shown. Strongly doubt that any were received for dollar transmittal.

End

Action: Gen. Richards.  
Info: Gen. Norstad, CSA.

## SENATE INVESTIGATING COMMITTEES REQUEST FOR INFORMATION

Budget Division WDSSS  
Foreign Financial Branch  
WDSBU Lt Col Feyereisen  
73289

21 JUNE 1947.

HQ EUCOM, Frankfurt, Germany.

Information: CINCEUR, Berlin, Germany.

Nr: WARX 80682.

From WDSBU HQ EUCOM attn Major General White.

1. Senate Investigating Committees on long position of foreign currencies have recessed pending the receipt of certain detailed information from the State, Treasury, and War Departments. Specific information desired by Committees, for which a search will have to be made in the files of European Command are as follows:

A. Copies of messages sent by theater commander, or General Cobbs, in reply to War Department cables asking for stricter currency exchange controls. (War Department is providing all messages, same subject sent by War Department to theater, or to General Cobbs. See also Para 3 below.)

B. All messages sent by General Eisenhower, as theater commander, to General Bedell Smith or any subordinate on the subject of occupation marks, Russian occupation marks, or the policy of handling same. War Department is furnishing cables, letters, safe hand messages, teletype communications and memoranda sent by War Department to Eisenhower or to theater commander in Europe pertaining to occupation marks, Russian occupation marks, or the policy of handling same.)

C. Any memos which General Cobbs, Finance Officer, wrote or sent to his superiors General Smith or General Eisenhower or others, or directly to the War Department on this matter.

D. How many US Military Government representatives are there in the Russian Zone in Berlin? How many Russians are there in our zone?

2. Committees are anxious to have all information requested at earliest practicable date. Attempt being made here to have War Department information available by next Friday, 27 June. Realize EUCOM may not be able to have their information available here by that date; but request this be given top priority and material be provided War Department (BOWD) by air courier earliest.

3. Will appreciate you giving this your personal attention. Regarding messages or correspondence sent by theater to War Department, which you believe to be available here, we will be glad to provide the copies if you will give us full reference by radio or telecon.

End

Originator: Gen Richards.

Distribution: Mr Petersen, Gen Noce, Gen Norstad, Gen Handy, CSA.

## ACKNOWLEDGMENT OF REQUEST FOR INFORMATION

22 JUNE 1947

From: Hq EUCOM Frankfurt Germany sgd Huebner cite ECSGS  
To: War Budget Division  
Nr: S 5777

Acknowledge WX 80682 (cite WDSBU) 21 June 47.

Information desired will be collected and made available earliest possible date. Several days required to search files for authentic material. As soon as material available contact will be made with you by cable or TELECON.

End

Action: Gen Richards.

Info: Mr Petersen, Gen Noce, Gen Norstad, CSA.

## INFORMATION FURNISHED BY EUROPEAN COMMAND

25 JUNE 1947.

From: Hq EUCOM Frankfurt, Germany, from White sgd Huebner  
cite ECSGS.

To: War Department for Budget Division.

Info: OMGUS.

Nr: SX 5867.

Reference your WX 80682 dated 21 June 47 as requested in Paragraph 1 A the following is a list of cables from this Headquarters to War Department.

S 93201 dated 26 June 1945.  
S 22572 dated 10 September 1945.  
S 27597 dated 11 October 1945.  
S 29485 dated 27 October 1945.  
SC 2838 dated 1 November 1945.  
S 31180 dated 11 November 1945.  
S 33444 dated 1 December 1945.  
S 34655 dated 12 December 1945.  
S 35570 dated 19 December 1945.  
S 3208 dated 12 March 1946.  
S 3482 dated 15 March 1946.  
S 1461 dated 8 April 1946.  
S 4343 dated 22 May 1946.  
S 1173 dated 5 August 1946.  
S 1351 dated 7 August 1946.  
S 37789 dated 14 January 1946.

The following cables received from War Department have been noted in our files and are brought to your attention for ready reference:

W 27746 dated 6 July 1945.  
W 71871 dated 1 October 1945.  
WX 72633 dated 3 October 1945.  
W 78098 dated 23 October 1945.  
WX 80264 dated 1 November 1945.  
W 85085 dated 24 November 1945.

W 85985 dated 30 November 1945.  
W 86248 dated 1 December 1945.  
W 87028 6 December 1945.  
WCL 29248 15 December 1945.  
W89049 dated 18 December 1945.  
WX 90020 dated 26 December 1945.  
W96908 dated 13 February 1946.  
W97821 dated 20 February 1946.  
WX 99068 dated 2 March 1946.  
reference number none dated 10 March 1946.  
WX 80505 dated 14 March 1946.  
W 89467 dated 28 May 1946.

The information requested in paragraph 1 B and C is being assembled and will be forwarded to you by air courier leaving this Headquarters 26 June. The information requested in paragraph 1 D follows: There are no US Military Government representatives in the Russian Zone in Berlin; however there is a US Military Liaison Mission (reciprocal) located at Potsdam consisting of 14. Small American Graves Registration Detachments are operating in and out of the Russian Zone at irregular intervals. Russians in the US Zone total 116. This figure breaks down as follows: USSR Military Liaison Mission (reciprocal) strength 14, total wives and children 15, Repatriation Mission 34, Restitution Mission 1, Reparation Mission 48, Chief of Council for War Crimes (Nurnberg) 4.

Major General Harold R. Bull, formerly Chief of Staff of USFET, believed to be on duty with War Department Awards and Decorations Board, and Colonel Peter W. Brown, formerly Chief of Special Activities Branch G 1 USFET, now believed to be on liaison duty with Air Forces War Department should have considerable personal knowledge of this subject.

End

Action: Gen. Richards.

Infor: Mr. Petersen, Gen. Noce, Gen. Norstad, CSA

## APPENDIX D

## ADDITIONAL DOCUMENT SUBMITTED BY STATE DEPARTMENT

## ORIGINAL DISCUSSIONS ON INVASION AND OCCUPATION CURRENCY

[Note: This telegram was furnished subsequently and constitutes a portion of Appendix A. See p. 697]

From: Secretary of State, Washington.

To: American Embassy, Moscow.

Dated: January 14, 1944.

Number: 85.

(One) The Combined Civil Affairs Committee, made up of representatives of the Departments of State, War, and Treasury of the United States and Britain, has been discussing currency arrangements which will prevail during the invasion and occupation of Germany.

(Two) The current currency proposals are as follows:

A. The military money will be known as the "M" mark, and in the background of the note of each denomination a large "M" will be superimposed.

B. The notes will be in eight denominations, ranging from one mark to one thousand marks.

C. The notes will be of two sizes, the larger notes being the exact size of the current United States one dollar bill, and the smaller notes being one-half or three-fourths the size of the United States dollar bill. The wording to appear on the notes, in addition to the denominations, will consist of *Issued in Germany and Series 1944*. All wording will be in German. It is considered expedient that some expression such as *Allied Military Authority* should appear on the note.

D. It is the present intention that all notes shall carry serial numbers, although it is possible that for the purpose of expediting the printing program the smallest denominations may be issued without serial numbers.

(Three) No decision has been reached as to the exchange rate which will prevail for the M-mark, or as to the relationship of the M-mark to the Reichmark.

(Four) The Treasury Department has worked on this program for some time, and has developed preliminary designs for the note, as well as laying in a stock of bank-note paper and taking over the facilities of plants to produce the currency. The present plans of the Treasury Department call for a first order of six billion M-marks, roughly comprising one hundred million pieces.

(Five) The British Treasury has kept the British Government informed as to the above. Preliminary discussions have been held with representatives of the Russian Embassy in Washington, and we have asked that they inform the Soviet Government that a time limit which does not permit of great delay has been imposed upon the Treasury by the military authorities here. We had hoped to receive their comments prior to completion of the plates.

(Six) It is considered desirable that you should review this matter in its entirety with the appropriate Russian authorities, and endeavor to secure their immediate suggestions and comments. The Govern-

ments of Britain and the United States are both desirous of having the cooperation and concurrence of the Soviet Union in this matter, and will take into account any suggestions the Russians may have, if these suggestions reach us in time, so as not to unduly delay the printing program. You should treat this matter as one of urgency, advising the Russians that you would appreciate receiving their reply at the earliest date possible, inasmuch as the dies will shortly be complete.

(Seven) Any information possible with regard to the currency which the Russian authorities expect to use when they enter Germany is also desired.

HULL.

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